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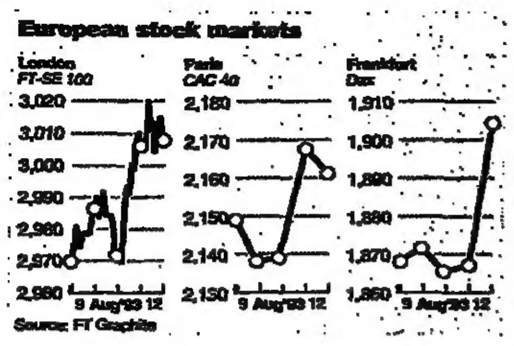
TOMORROW'S Weekend FT

A slow boat through the heart of Europe

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY AUGUST 13 1993 — D8523A



London stock market holds on to new record

A buoyant London stock market yesterday held on to its newly-established peak levels – but only just. By the close, the FT-SE 100 Index was 3 points up on the day at 3,009.1, a new closing high. In Frankfurt, the Dax index broke 1,900 to close 39.15 points higher at 1,904.95. The Paris bourse ended weaker after setting a record intra-day high, with dealers blaming profit-taking as the CAC-40 index closed 5.52 lower at 2,161.87 after an earlier peak of 2,179.04. **London stocks, Page 25; World stocks, Page 36; Peril of losing touch with the real world, Page 13**

Yeltsin pledges autumn elections: Russian President Boris Yeltsin vowed to hold fresh parliamentary elections in the autumn, even if this meant violating the constitution, in a effort to break the deadlock over political and economic reform. **Page 12**

UBS net income rises 89%: Union Bank of Switzerland, one of the world's strongest commercial banks, has reported an 89 per cent jump in net income to SFr1.29bn ($840m) in the first half. **Page 13; Observer, Page 11**

Prosecutors may recall witnesses: Public prosecutors investigating industrial spying and theft allegations against Volkswagen employees may recall witnesses for further questioning, following reports that data belonging to Adam Opel, the German subsidiary of General Motors, may have been punched into VW computers. **Page 2; Letters, Page 10**

Japan SDP leader offers to resign: The Social Democratic party, the biggest member of Japan's new seven-party ruling coalition, entered a potentially divisive period of soul-searching when Sadao Yamahana offered to resign as leader. **Page 3**

Ford-Werke, the German subsidiary of the US vehicles group, refused to comment on reports in the industry newsletter, PS Report, that its American-born chairman John Hardiman, is to be replaced by a German, Albert Caspers. **Page 2**

US wholesale prices fall: US wholesale prices fell for the second month running in July, indicating that the sluggish economic recovery is generating little or no upward pressure on inflation, the Labour Department reported. **Page 4**

Canadians firm over Nafta: Canada's business community backed the Ottawa government's refusal to include trade sanctions in the side-deals on labour and the environment being negotiated as part of the North American free trade agreement. **Page 4**

UK pits face closure: British Coal, the state-run corporation, wants to close up to half its 30 working pits within eight months after an investigation which suggested only about a dozen pits have a long-term future. **Page 5**

Pilkington sells stake to Japan: Pilkington, the UK glassmaker, is selling a 20 per cent stake in Triplex Safety Glass, its UK automotive glass subsidiary, to Nippon Sheet Glass of Japan for £13.3m ($19.5m). Pilkington shares rose 5p to 149p. **Page 13**

RTZ plan threatened: RTZ Corporation's $108m plan to reduce its shareholding in the Lihir gold project in Papua New Guinea – the largest known gold deposit outside South Africa – is under threat from the PNG government. **Page 13**

Lufthansa returns to the black: Lufthansa, the German national airline, returned to the black in the second quarter with a small pre-tax profit of DM24m ($13.9m) as its cost-cutting programme started to show results. **Page 14**

Venezuela: The Venezuelan congress has granted President Ramon J. Velasquez special powers until the end of this year to introduce a series of economic measures by decree. **Page 4**

STOCK MARKET INDICES

FT-SE 100:	3009.1	(+3.0)
Yield	3.81	
FT-SE Eurotrack 100	1280.84	(+6.14)
FT-A All-Share	1495.38	(+0.2%)
Nikkei	20,765.28	(+32.71)
New York lunchtime		
Dow Jones Ind Ave	3556.80	(-26.55)
S&P Composite	447.94	(-2.52)

US LUNCHTIME RATES

Federal Funds:	2⅞%
3-mo Treas Bills: Yld	3.055%
Long Bond	109 11/16
Yield	6.389%

LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Sep 112 15/32	(Sep 112 13/32)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.995	(16.7)

Gold

New York Comex (Aug)	$367.4	(375.3)
London	$373.5	(375.25)

STERLING

New York lunchtime:		
$	1.485	
London:		
$	1.469	(1.473)
DM	2.5175	(2.59)
FFr	8.8475	(8.8825)
SFr	2.2375	(2.25)
Y	151	(152.75)
£ Index	80.3	(80.8)

DOLLAR

New York lunchtime:		
DM	1.7145	
FFr	6.0335	
SFr	1.52325	
Y	103.15	
London:		
DM	1.72	(1.718)
FFr	6.0475	(6.03)
SFr	1.5285	(1.527)
Y	103.15	(103.7)
$ Index	66.3	(65.9)

Tokyo close Y 103.37

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD6700	India	Rs40	Norway	NKr18.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Japan's PM urges action to calm markets

Yen surge prompts fears of further damage to economy

By Robert Thomson in Tokyo and Stephanie Flanders in London

MR Morihiro Hosokawa, Japan's new prime minister, yesterday called for international intervention to calm currency markets after the yen closed at a Tokyo record of Y103.37 to the dollar, up from Y103.77 a day earlier.

The yen's recent surge has prompted concern in the new coalition government that an already weakened Japanese economy will suffer further damage because of the sudden fluctuations.

Mr Hosokawa's call follows suggestions in recent months by Finance Ministry officials that the US should intervene to halt the yen's rise, particularly as comments by US government officials had sparked an earlier bout of appreciation.

However, US officials have indicated that, while not in favour of sudden movements, they believe yen appreciation will assist in cutting Japan's widening trade surplus.

Mr Hosokawa did not indicate how he expected the international intervention to be organised. Over the past few years, the Japanese central bank and US Federal Reserve have intervened on a piece-meal basis to smooth exchange movements, with mixed success.

The last large-scale concerted intervention outside of the European exchange rate mechanism occurred in August 1992, when 15 central banks bought dollars to halt the dollar's decline.

Mr Hosokawa emphasised that the value of the yen, which strengthened further in London, did not reflect the true state of the Japanese economy and appeared to be the result of speculation. Since the end of last year, the yen has appreciated by 17 per cent, and Mr Hosokawa, who took office on Monday, has faced calls for action from Japanese business leaders, who had expected that the yen would weaken this month.

The strengthening, which has come in spite of daily intervention this week by the Bank of Japan, is putting extreme pressure on export-oriented manufacturers, suffering from a decline in domestic demand and now facing higher price tags abroad.

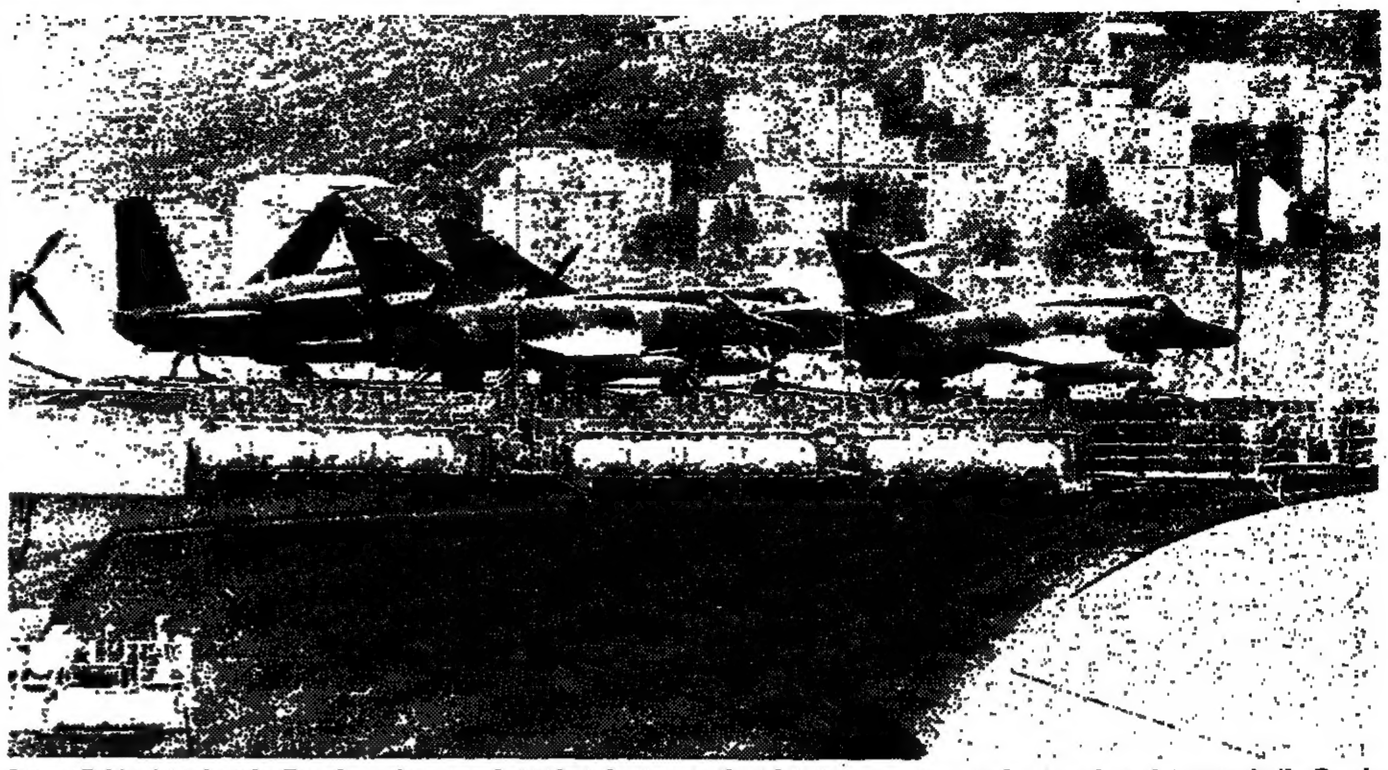
A senior economist at the Japan Development Bank said yesterday the yen's strength would encourage Japanese manufacturers to increase their production output in east Asia, slowing domestic capital expenditure and leading to job losses.

While the negative effects of the yen's movement have been quickly felt by Japanese companies, a consumer survey by the Economic Planning Agency has found that only 43.9 per cent of respondents say that the currency's appreciation has led to lower prices for imported goods.

The respondents, 96.7 per cent of the 4,061 people surveyed by the government agency, said they would prefer discounts on every day goods rather than on luxury imported items.

Japan SDP leader offers to resign .... Page 3

Unwelcome gifts for the new team .... Page 11



Jaguar fighter jets aboard a French carrier moored at Trieste harbour in the Adriatic sea, northern Italy, stand by to intervene in the Bosnia conflict as part of the Nato force if formally asked by the United Nations. Signs grow for air strikes, Page 12 — Associated Press

France's reserves hit by attempt to back franc

By John Ridding in Paris, James Blitz in London and Quentin Peel in Bonn

THE Bank of France has been left with a substantial net deficit in its foreign currency reserves as a result of its attempts to keep the franc inside the European exchange rate mechanism at the end of last month.

Figures issued yesterday by Bank of France showed that the country's net reserves fell by almost FFr190bn ($32.25bn) in the week to August 5. The central bank was left with a deficit of more than FFr180bn in its foreign exchange holdings.

The franc slipped against the D-Mark yesterday after the central bank figures were issued.

The Danish krone also fell sharply against the D-Mark amid signs that Denmark also needed to replenish its foreign exchange reserves in the wake of the ERM crisis.

The drain on French reserves will have been due almost entirely to the central bank's intervention in the currency markets to try to keep the franc above its former ERM floor against the D-Mark.

On July 29 alone, the day the franc first fell to its ERM floor against the D-Mark, economists estimate the central bank spent more than the FFr160bn used to defend the franc in its previous crises in January this year and September 1992.

The total amount of reserves used by the French authorities in the recent crisis is estimated to exceed FFr305bn.

The French authorities have tried to maintain the value of the franc against the D-Mark by maintaining high short-term lending rates in their domestic money market.

The franc closed yesterday at FFr3.514 against the D-Mark, about a third of a centime down on the day. But at one stage, the currency was being bought at FFr3.52.

The reserves data helped to explain France's cautious approach to reducing interest rates since the widening of fluctuation bands within the currency system on August 2.

Economists said that if the French authorities were to lower interest rates, the currency could fall against the D-Mark – but the central bank would have no reserves with which to support the exchange rate through currency intervention.

The krone came under even heavier selling pressure inside

Continued on Page 12

Currencies, second section

German car industry told it must shed 100,000 jobs

By Christopher Parkes in Frankfurt

THE GERMAN automotive industry must shed a further 100,000 jobs and cut costs by between 20 and 30 per cent in the next two years if it is to survive, according to Mr Achim Diekmann, chief executive of the VDA motor industry association.

If vehicle and component makers did not regain competitiveness quickly they would disappear, he said.

The association could see no signs of recovery. German car output was expected to drop by 18 per cent this year, compared with forecasts last winter of a 10 per cent decline.

This implies a slump from record production of 4.86m cars in 1992 to about 4m.

The industry's expectations had been based on hopes of recovery in France and Italy, but new registrations in the first seven months of this year have dropped by 24 per cent in Italy and 17 per cent in France.

German sales, originally expected to fall 20 per cent, are down almost 25 per cent so far. In an interview with a German news agency, Mr Diekmann warned that the domestic market would be hit again in early 1994 by a 16 pfennigs a litre increase in petrol taxes.

This, the third increase within a short time, had come at precisely the wrong moment for the motor industry, he added.

German vehicle and component makers had already cut 95,000 jobs in the two years to the end of June and were halfway towards the optimum workforce, Mr Diekmann said.

Extra demand from the former East Germany had disguised the underlying downwards trend and delayed introduction of structural changes.

He said that in the first half of this year, when German factories produced 2.1m motor vehicles of all types, a further 1m bearing German brands were manufactured abroad.

Plans by BMW and Mercedes to open factories in the US and Volkswagen's projected doubling of capacity in China foreshadow an acceleration in this trend, industry officials noted.

At the same time, German components manufacturers are increasingly using capacity outside Germany to supply transplant factories.

Mr Diekmann named no companies, but his opinions clearly matched those of Volkswagen, currently embroiled in a spying controversy with Opel, German subsidiary of General Motors.

VW, the second biggest industrial concern in Germany, is engaged in cutting its domestic workforce by about 15,000 to 100,000 by the end of 1997.

Meanwhile its attempts to reduce component costs by 30 per cent have been denounced as "extortion" by suppliers.

Mr Louis Hughes, former head of Opel, and now running GM Europe in Zürich, was widely criticised last year when he said Germany's automotive industry had to lose half its workforce.

Mr Diekmann's latest forecasts related strictly to the automotive industry, which employed 693,000 at the end of May.

His office explained yesterday that predictions of up to 200,000 job losses from a total workforce of 1.7m, made by Mr Diekmann a year ago, related to jobs directly and indirectly dependent on the motor industry, in steel manufacture, for example.

Ferfin share price collapses in Milan

By Haig Simonian in Milan

SHARES in Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private company, collapsed on the Milan bourse yesterday as investors tried to put a value on the debt-laden group's equity.

Trading closed at L299. Ferfin's shares last traded at L417.80 on Monday before being suspended in advance of plans to slash the nominal share price to L5 from L1,000. Yesterday's official price, based on the day's average, was L224.40, after the shares opened at L101 to establish a trading pattern.

Separately, bank creditors to the group, which had total borrowings of L28,838bn ($17.83bn) at the end of May, were told a rescue package, expected later this month, would not be unveiled until mid-September.

Ferfin's share price has perplexed even hardened professionals on the volatile Milan bourse. Although large writedowns in the nominal value of shares are not unknown – it has happened twice in the past 20 years to the Montedison industrial group, now controlled by Ferfin – there has never been a writedown on this scale.

Representatives of the country's leading shareholders' association told members to hold on to their stock, in spite of the selling wave. The gap between supply and demand meant it took 90 minutes for an opening price to be set. The crisis began in late May, when the company revealed that total borrowings had risen to about L31,000bn at the end of 1992. A five-member committee of bank creditors, called in by the Ferruzzi family and Ferfin's former managers, uncovered a range of financial irregularities, leading to a sharp upwards revision of Ferfin's and Montedison's losses.

Separately, arrests by magistrates investigating the 18-month political corruption scandal found Montedison had allegedly paid kickbacks of about L135bn to politicians during the former Enimont chemicals joint venture with the state-owned Eni group.

The small savers' association called for an investigation into why Ferfin, which allegedly ran a separate set of books, was not more strictly supervised. The association wants to know why the three independent representatives at the company, required under Italian law, were unaware of the alleged irregularities.

Shareholders have also criticised Price Waterhouse, Ferfin's auditors, which certified its 1992 accounts. In June, Price Waterhouse withdrew its certification when signs of alleged fraud emerged. Consob, the companies and stock market watchdog, has also been attacked for not acting sooner.

Lex, Page 12

Ferfin shareholders feel the breeze, Page 14

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هكذا من الأثير

German forex reserves rise by DM39.3bn

By Andrew Fisher in Frankfurt

GERMANY'S foreign exchange reserves rose by DM39.3bn ($22.8bn) in the last week of July as a result of the currency turbulence preceding the decision to widen currency bands in the European exchange rate mechanism and thus avert speculative pressures.

The Bundesbank said in its weekly statement that the reserve total was now DM157.9bn.

The sharp rise, caused by Bundesbank intervention to support ERM currrencies under pressure - predominantly the French franc - only showed up in the figures for the week to August 7 because foreign exchange transactions are reported with a week's delay.

Mr Helmut Schlesinger, Bundesbank president, has said some DM60bn flowed into Germany in July as a result of intervention in the ERM.

To offset the impact on money supply growth and inflation, it cut sharply the weekly allocation of securities repurchase agreements (repos) in the first week of August.

The rise in Bundesbank foreign exchange reserves the previous week was DM7.7bn, also reflecting ERM intervention.

The overnight rate of lending in the German money market eased yesterday after the Bundesbank surprised dealers on Wednesday by adding a net DM10.3bn to the banking system.

The overnight rate hovered around 6.75 per cent after 6.80 per cent the previous day. Some dealers said the high levels of liquidity had left the market in a good position to meet a season of tax payments which should start next week.

● A central securities exchange supervisory authority is needed to make Frankfurt more attractive as a financial centre, Mr Theo Waigel, the finance minister, said yesterday, Reuter reports. "But we must do several things to make the Frankfurt exchange centre so attractive that it can contend on a Europe-wide and worldwide level," he said in a TV interview.

Mr Waigel also said he was in the process of drawing up a law on insider trading abuses.

French wary on interest rate cuts

Prime Minister Edouard Balladur continues his strong franc policy, writes John Ridding

SMALL step by small step, France is charting a course for monetary policy, following the European currency crisis which left the French franc hovering uncertainly in a weakened exchange rate mechanism.

The Bank of France has this week trimmed overnight interest rates by a meagre 0.75 percentage points from their crisis levels of 10 per cent. The rates for 5 to 10 day loans for commercial banks have been left unchanged.

"It seems they have decided on a general policy," says Ms Marie-Owens Thomson, International economist at Midland Global Markets. "They are going to bring down interest rates, but gradually."

But why are the French financial authorities moving so gingerly when the high level of interest rates in France's recession-hit economy was one of the principal causes of the assaults on the French franc last month?

For Mr Edouard Balladur, French prime minister, the most important reason for caution is his continued attachment to a strong franc policy despite the widening of the currency's fluctuation bands within the European exchange rate mechanism from 2.25 per cent to 15 per cent. The Franc has fallen by about 2.5 per cent below its old ERM floor rate of FFr3.4305 to the D-Mark, and Mr Balladur is anxious to avoid a larger fall by rapid moves on borrowing costs.

Politically, a rapid cut in interest rates could accelerate the depreciation of the franc and undermine Mr Balladur's credibility as an advocate of the "franc fort" policy. It would also give legitimacy to political opponents, even within his Gaullist RPR party, who have advocated more expansionist economic policies. These include Mr Philippe Seguin, president of the National Assembly, who has called for devaluation and more protectionist policies.

Practically, a strong franc is needed to help rebuild foreign exchange reserves at the Bank of France. Figures it published yesterday confirmed that a deficit of almost FFr200bn ($33.2bn) was incurred in the unsuccessful defence of the franc last month.

The policy of supporting the franc is also regarded by the French government as important in the process of European integration. In addition the franc/D-Mark link, although now greatly weakened, is regarded as the symbol of bilateral co-operation in the process of European union. France may also not want to cut rates faster than other ERM members to avoid the impression of competitive devaluations.

The problem for Mr Balladur is how to reconcile currency stability with the need to revive the economy and curb unemployment, forecast to reach 12.5 per cent of the population by the end of the year.

The French authorities have some room for manoeuvre. Figures published yesterday which confirmed an annual inflation rate of just over 2 per cent suggest there is little immediate danger in currency depreciation. More important, the fact that the franc has been relatively stable since the half-point cut in the overnight rate suggests that the central bank may also be able to bring rates down further without unsettling the foreign exchange markets.

"Short-term interest rates could return relatively quickly to pre-crisis levels of about 7 per cent, possibly within the next 4-6 weeks," says Mr Jean-François Mercier, economist at Salomon Brothers in London. Overnight rates are likely to be used as a stalking horse for cuts in other rates, particularly the 5-10 day borrowing rate and ultimately the intervention rate, which stands at 6.75 per cent and which acts as a floor on money market rates.

The gamble for the French authorities is whether they can cut rates fast enough to satisfy domestic pressures for economic recovery.

However, in the international currency markets, the situation is more delicate. "They are on a tightrope," says one Paris-based diplomat. "If they don't deliver rate cuts fast enough, then investor confidence in the franc will be eroded and the currency will come under attack again."

Mr Balladur will be encouraged by the resilience of the franc after this week's rate cuts. But with the strength of the D-Mark expected to persist as EC central banks pay back their loans to the Bundesbank, the situation remains fragile. Despite the attractions of stepping up the pace of rate cuts, the French are likely to continue to tread carefully.

French consumer prices increased slightly in July, rising 0.1-0.2 per cent above the level in June, according to figures published yesterday by Insee, the national statistics office, writes John Ridding.

The figures, which give an annual rate of inflation of 2.1-2.2 per cent, were welcomed by the Economics Ministry, which said they confirmed the "strong state of French competitiveness". A spokesman for the ministry said they would support the French franc in the medium term.

Economists in Paris said that the figures were at the lower end of forecasts and that the rise reflected the impact of indirect taxes and a relatively strong rise in the cost of services.

Petrol taxes were increased at the beginning of July, although the full effect of the price increase is not expected to be felt until August or September.

Prices for services increased by an average of 0.4 per cent, partly reflecting higher costs in hotels and restaurants resulting from higher taxes on alcohol.

The low rate of inflation is also a result of the depressed state of consumer demand in the recession-hit economy. Separate statistics published yesterday by Insee confirmed the difficulties facing the economy.

According to a survey by the statistics institute, French industrialists said they expected economic activity to stabilise in the second half of the year but saw no signs of recovery before the end of 1993.

Greek telecoms workers seek to halt sell-off

By Kerin Hope in Athens

TOURISTS visiting Greece may have to avoid phoning home today. Workers at OTE, the state-owned telecoms monopoly, will be picketing a crucial parliamentary vote on partially privatising the company, leaving international switchboards unmanned.

The quality of OTE's international service has deteriorated noticeably recently as the union stepped up its campaign against the proposed sale of 35 per cent of the company, together with management rights, to a foreign telecoms operator.

Although its one-vote majority in parliament is in danger, the government should still manage to push through enabling legislation permitting the sale.

If Mr Miltiades Evert, former industry minister and leader of the statist faction in the ruling conservative party, carries out his threat to vote against the bill, the government may enlist the support of two independent deputies from the ethnic Turkish minority in Thrace.

Given the scope for improvement in Greek telecommunications, it is hard to see why anyone should oppose the introduction of new management.

The government says the foreign buyer would undertake to invest at least $7bn in the network over the next decade.

According to an EC-funded study carried out by consultants from Coopers and Lybrand, the international accountants, OTE's current policy of piecemeal replacement of switching and transmission equipment is "gradually killing" the country's overloaded telephone system.

With over 800,000 applications for telephone lines outstanding, one-quarter of them in Athens, the waiting period for a new connection can be as long as five years.

In addition, the report described OTE's maintenance policy as "reactive fire-fighting" using "tricklefeed financing."

However, the socialist opposition's arguments that the foreign investor would set much higher tariffs, in addition to sharply reducing OTE's workforce of 28,000, have caught the popular mood.

> Given the scope for improvement, it is hard to see why anyone should oppose new management

As a result, the economy ministry has been forced to make substantive amendments to the legislation that telecoms analysts say could affect the level of bids for the strategic stake.

Six international bidders, including France Telecom, Telefonica of Spain and NTT of Japan, have already been shortlisted.

In order to meet this year's budget target for privatisation revenues, the government had hoped to raise over Dr250bn (£706m) from the sale of the equity stake, together with the flotation of another 14 per cent of the company on the Athens Stock Exchange, planned for later this year.

Under the revised legislation, the state would appoint a majority of OTE's board of directors and would be able to influence procurement decisions.

The law also sets out a restrictive policy on tariff structures, limiting yearly rises to one percentage point below the inflation rate.

Sweden and Finland announce cut in rates

By Christopher Brown-Humes in Stockholm

THE CENTRAL banks of Sweden and Finland yesterday cut interest rates to help stimulate a revival of their recession-hit economies.

The Bank of Finland cut its base rate by half a percentage point to 6 per cent, its lowest level for nearly 40 years.

Sweden's central bank, the Riksbank, cut its key marginal rate from 8.25 per cent to 8 per cent, continuing a pattern of reductions which began after the country floated its currency last November.

Sweden and Finland are expecting their economies to shrink for the third consecutive year in 1993, and badly need lower interest rates to spur recovery and cut unemployment. Both countries are hoping for positive growth next year on the back of higher exports.

Sweden's long-term and short-term interest rates are at their lowest levels since the 1970s. Mr Thomas Franzen, Riksbank deputy governor, said the bank had decided to cut its marginal rate for the second time in a week because of the "significant fall" in long-term interest rates and because financial markets had responded well to previous cuts. He noted that the Swedish krona had strengthened in recent weeks following a sharp depreciation earlier in the year.

Spain's recession easing, say banks

By Peter Bruce in Madrid

THE BANK of Spain and one of the country's biggest commercial banks said yesterday they believed Spain's recession was easing. They predict that the decline in gross domestic product will slow slightly in the second half of the year, indicating the economic downturn may have bottomed out.

The Spanish central bank says in its latest economic bulletin it expects GDP to fall by 1 per cent in the second half, compared with the official 1.1 per cent fall in the first half.

Banco Central Hispano (BCH) said the slide in GDP had stabilised at minus 1.1 per cent since March, which it took as a sign that "the fall in economic activity may have touched bottom."

BCH said the brake in recession was because of strong growth in exports following three peseta devaluations since last autumn, and a sharp fall in imports as internal demand has withered.

BCH said it expected a further slowdown of the fall in output. However, both BCH and the Bank of Spain insisted that any stop to job losses would also depend heavily on the success of current efforts by the government to agree a three-year incomes policy, with the unions agreeing to freeze wages next year and employers promising to freeze dividend payments at their present levels.

> 'Fall in economic activity may have touched bottom'

The unions argue strongly against a wage freeze, and they say a dividends freeze is pointless while so many companies are making losses.

Spain's economic planners blame high wage growth for the country's inability to hold inflation down and the central bank said it was "worried" about the growth of prices and wages in the first half of the year. It said further interest rate cuts would depend on the success of wages talks and the fiscal discipline shown in the 1994 budget.

The Bank recently cut its benchmark lending rate to 10.5 per cent and is thought to be reluctant to make another cut at its regular auction of repurchase agreements today as July inflation figures due out late in the morning are expected to be poor.

Slovakian language bar angers Hungary

By Patrick Blum in Prague

THE DISPUTE on the use of the Hungarian language in southern Slovakia has flared again and threatens to damage further already troubled relations between Bratislava and Budapest.

The latest row centres on a recent Slovak government order to remove all Hungarian-Slovak bilingual road signs in a region which is home to the bulk of a 600,000 strong ethnic Hungarian minority.

The decision follows an about-turn last month on a package of laws designed to protect the language rights of the country's Hungarian minority. Voting on the laws was postponed until after Slovakia's admission to the Council of Europe was secured at the end of June. The Slovak parliament approved the laws in mid-July but they were rejected by the government a week later.

The latest move has brought protests from local politicians and newspapers, and the mayor of Marcelova in the Komarno district, announced he would impose a blockade of all the roads into his municipality until the government withdraws the order and bilingual signs are returned.

A government spokesman said yesterday the road block was illegal, and that the order applied to all regions.

Romanian railways crippled by strike

By Virginia Marsh in Bucharest

ROMANIA's railway network was brought to a near standstill yesterday after a train drivers' strike over pay continued into a second day.

Only 26 services were operating normally yesterday morning and no international trains ran throughout the day, according to the Ministry of Transport.

The western and southern parts of the country were particularly affected, Radio Bucharest said.

The SNCFR, the state-owned railway administration, said it would seek to have the strike declared illegal at a court hearing scheduled for today.

Romanian regulations stipulate that even during a general strike at least one third of trains must run. A Bucharest court recently ruled that the train drivers' previous strike in June was illegal on these grounds.

The strike is the latest in a growing number of labour conflicts, mainly over pay as workers try to cope with three-digit inflation and without subsidised food and energy.

Romanian road workers have said they too will go on strike next week if their pay demands are not met. A warning strike last week blocked Romania's border points with Hungary and Bulgaria for two hours.

Rexrodt to speed state sell-offs

By Quentin Peel in Bonn

MR Günter Rexrodt, Germany's economics minister, yesterday promised to bring in new laws to accelerate privatisation by the country's 16 state governments, and local authorities.

He sharply criticised the growth of creeping public ownership through the powerful state banks, singling out WestLB, the public sector bank in North Rhine-Westphalia, for particular attack.

In an initiative clearly designed to step up public pressure for more privatisation at state and local government level, he warned that he would introduce "instruments of torture" to get the process moving.

He said that the spread of public ownership through state banks was in complete contradiction to the federal government's privatisation policies.

Mr Rexrodt, who belongs to the liberal Free Democrats in Germany's ruling coalition, was not precise on the measures he intends to introduce, but said his ministry was working on necessary legislation.

He proposed legal budgetary "guidelines" as one measure, and a requirement that all public authorities must investigate private solutions to tasks currently conducted by publicly-owned bodies.

His attack on North Rhine-Westphalia, and WestLB in particular, will certainly be warmly greeted by the private banking sector, which has sharply criticised the growth of the state banks.

The bank is 43 per cent owned by the state government. Mr Rexrodt listed shareholdings of more than 10 per cent in nine separate public companies, including Preussag (32 per cent), the Horten retail chain (26 per cent) and VEW, the electricity generator (11 per cent), with a total value of more than DM3bn.

The bank also has unlisted shareholdings in the travel groups LTU, TUI and Thomas Cook, and a string of other private companies.

"The purchase of shareholdings... in commercial enterprises through a state bank leads automatically to an extension of the public sector as against the private sector," Mr Rexrodt said.

"This is diametrically opposed to the privatisation policy of the federal government."

He also called for Germany's powerful savings banks to be privatised "as far as possible", in order to remove distortions of competition in the banking sector.

As far as the federal government is concerned, he said that top priority was attached to the early privatisation of Deutsche Telekom, the state telecommunications concern. There was a need to accelerate plans for privatising service areas, such as airports and ports.

As a result of draft legislation approved by the German cabinet this week, the monopoly of the Federal Labour Office on job placements will be lifted, allowing private sector competition.

Mr Rexrodt said that a principle of privatisation should be full national and international competition and tendering, to ensure the widest possible competition.

Treuhand coal deal faces late challenge

By Judy Dempsey in Berlin

THE Anglo-American utilities consortium which is negotiating the purchase of Mibrag, one of eastern Germany's giant brown coal fields, is facing a late challenge by the company's management.

The consortium, led by Britain's PowerGen, and the Minneapolis-based NRG, wants to use Mibrag to establish a foothold in eastern Germany's highly regulated utilities sector.

The consortium has sole negotiating rights with the Treuhand, the agency charged with privatising eastern German industry, and which owns Mibrag. These rights were extended from July 31, until later this month.

The negotiations are focusing on the price of the mines and other Mibrag divisions. A consortium negotiator yesterday said that a valuation of Migrab done for the Treuhand was "wildly over-estimated", and inflated capital costs have been built into the valuation.

The consortium is expected to invest at least DM650m in Mibrag, depending on the assets they actually purchase.

The dispute over the sale price coincides with moves by Mibrag's board to set up a "kind of management buy-out", according to Mr Willi Wessel, a board member. He said that under the proposal ownership would remain with the Treuhand until Mibrag was restructured. He added that this option would slow the pace of job losses as well as effectively postpone Mibrag's privatisation until 1996.

The final price of Mibrag could influence the price of Laubag, the other lignite field which the Treuhand is also trying to privatise, a factor which explains in part the Treuhand's increasingly tough negotiating position with the consortium.

But under pressure from Bonn, it is also anxious to sell Mibrag to the Anglo-Americans as a means of introducing competition into the region's energy sector.

Some observers believe the proposed management buyout may be a way of putting pressure on the consortium to buy Mibrag at an inflated price. But utility experts said it was also an attempt by some members of the Mibrag management to keep out the Anglo-Americans in order to keep out competition and to maintain the high cost structure of the industry.

Mr Wessel repeated this week that the management buy-out option was "serious". The move has already been discussed with Mr Klaus Murmann, head of Germany's federation of employers, a board member of Mibrag. "We want to privatise but at the same time save jobs" said Mr Frank Wienke, a senior official at the federation.

Italy moves on price liberalisation

ITALY'S price liberalisation took a small step forwards yesterday with the removal of controls on milk, bread, cement and fertilisers, writes Haig Simonian in Milan.

Prices of the four products were put under state control in 1974, although the cost of cement was partially liberalised 11 years later.

The move is part of a gradual policy by the new government of prime minister Carlo Azeglio Ciampi to liberalise the economy and remove anachronistic mechanisms.

Mr Luigi Spaventa, budget minister, said the move to let the market determine prices had been taken because ministers felt there was adequate competition.

Ford may reshuffle German posts as cost-cutting pressures mount

By Christopher Parkes

FORD-WERKE, the German subsidiary of the US vehicles group, yesterday refused to comment on reports that its American-born chairman is to be replaced by a German.

Mr John Hardiman, head of Ford-Werke for five years, is to return to the US and his post will be filled by Mr Albert Caspers, according to the industry newsletter, PS Report.

Mr Caspers, currently vice-president responsible for engineering and manufacturing at Ford Europe, will shortly be joined in the German subsidiary's headquarters by Mr Heinz Soiron, Ford's general manager in Spain, the newsletter added.

The company said it did not comment on speculation.

Mr Hardiman is believed to be on annual leave at present.

The reshuffle did not indicate that there was any dissatisfaction with Mr Hardiman, 59, who has worked in Europe for Ford for more than 30 years, PS Report suggested.

It was prompted more by the need, detected by Mr Jacques Nasser, the new chief at Ford Europe, for a technical leader to oversee sharp cost reductions in line with those under way throughout the German motor industry.

Mr Caspers has been in charge of all 24 Ford plants in Europe since 1989.

Mr Soiron, who is a recognised high-flier in Ford Europe, is expected to be appointed as sales director and Mr Caspers' deputy.

Mr Roger Leite, who is the current sales chief of Ford-Werke, is expected to be appointed the northern group director of Ford of Europe, the newsletter said.

Mr Hardiman would "probably" return to the US.

Prosecutors may recall witnesses in VW probe

By Christopher Parkes in Frankfurt

PUBLIC prosecutors investigating spying and theft allegations against Volkswagen employees may recall witnesses for further questioning, following reports that data belonging to Adam Opel, the German subsidiary of General Motors, may have been punched into VW computers.

The possibility arose yesterday after a televised claim that a female VW employee had said she and nine colleagues had been instructed to store material by an assistant to Mr José Ignacio López de Arriortúa, VW's new production director and the man at the centre of the investigation.

The woman, allegedly already interrogated, had apparently said nothing about the origins of the material when questioned.

However, she reportedly told a third party that the documents carried an Opel logo.

Mr Georg Nauth, a senior prosecutor and spokesman for the investigators, said the reports would be checked.

It is understood several witnesses from VW, under questioning, have said they could not remember - or could not rule out - whether material they handled bore marks identifying their origins as either Opel or GM.

Mr Walter Hiller, a member of the VW supervisory board, said yesterday that the board had been "credibly assured" at a meeting last Friday that an internal investigation at VW found there was no such material in the group's data banks. The meeting unanimously backed Mr López and said there was no evidence to warrant accusations of industrial espionage.

Meanwhile, Opel yesterday threatened further legal action if VW did not tell it in precise detail the nature and contents of material destroyed in the week of March 22 on instructions of Mr López. VW last weekend admitted that papers, including possibly secret or sensitive material, were destroyed at its company guesthouse to prevent circulation within VW.

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Japan SDP leader offers to resign

By Gordon Cramb in Tokyo

THE SOCIAL Democratic party, the biggest member of Japan's new seven-party ruling coalition, yesterday entered a potentially divisive period of soul-searching when Mr Sadao Yamahana offered to resign as leader.

Mr Yamahana, who will retain his job as minister in charge of political reform in the cabinet formed on Monday, called for an open ballot of party members. He said he would be a candidate but was submitting to a contest in the wake of the SDP's poor showing in the general election last month. Although that brought the party to power for the first time since the late 1940s, the SDP's parliamentary strength was almost halved.

In the year the coalition expects to be in power before holding fresh elections under a new system, the left-wing SDP, whose support it needs, is thought likely to be the main stumbling block in establishing policies apart from those on the political reform agenda.

"I feel indebted to my comrades who failed to win Diet seats," Mr Yamahana told party officials in his resignation statement. However, no other contender for the job immediately emerged.

Mr Yamahana – from the moderate wing of the party, the most left-wing member of the coalition – became chairman only in January. Many SDP activists are uncomfortable at the alliance he has since formed with conservatives and centrists.

He described his move as aimed at rebuilding the party, but its executive committee was unable to reach a decision yesterday on how to proceed, with some party bosses trying to persuade Mr Yamahana to change his mind.

Mr Yamahana and Mr Morihiro Hosokawa, prime minister and leader of the year-old Japan New party, have committed themselves to enacting political reform measures by the end of the year.

Coalition leaders yesterday made little progress towards agreement on the form of electoral system to replace the current multi-seat constituencies. As these have meant members of the same party competing, fundraising ability often wins out, fostering corruption.

The pursuit of alleged misdeeds from the old order continued yesterday with the indictment of Mr Fujio Takeuchi on charges of taking Y55m ($518,800)in bribes from Hazama, a construction company, while governor of Ibaraki prefecture north-east of Tokyo. The move by Tokyo prosecutors came a day after the prefectural assembly accepted his resignation.

Also charged was Mr Shigeru Honda, who stepped down as Hazama chairman after an indictment in a case involving the mayor of Sendai to the north.

Suspicions that Hazama paid to secure key contracts surfaced while prosecutors were investigating Mr Shin Kanemaru, the LDP power-broker who last month pleaded not guilty to evading taxes on funds raised from construction and other companies.

Nigerian police and soldiers patrolling the deserted streets of central Lagos yesterday after most businesses had been closed in the first of three days of protest

Associated Press

Nigerian protest limited to south-west

By Paul Adams in Lagos

A STAY-AWAY called to demand the end of military rule in Nigeria brought Lagos to a halt yesterday, but failed to win backing outside the south-west of the country.

For the second time since President Ibrahim Babangida annulled the June 12 presidential poll, the country's commercial capital was forced to shut down.

But the organisers of a three-day campaign of protest won little or no backing outside the Yoruba-speaking south-west, stronghold of Mr Mosbood Abiola, the successful candidate in the June election.

Life continued as normal in the important northern cities of Kaduna, Kano and the capital, Abuja, according to residents.

Earlier protests in July crippled Lagos for three days, and around 100 people were killed when gangs took advantage of demonstrations to loot and troops were ordered in. Yesterday the streets of Lagos and Ibadan, the country's second largest city, were deserted and no violent incidents were reported.

The objective of the campaign is to bring economic pressure on the government, which, say opposition officials, will find it difficult to control Nigeria if 23m Yorubas who dominate the economic heart of the country oppose it.

The Campaign for Democracy has denounced the proposed interim government and believes that the next government should be headed by Mr Abiola. Mr Olisa Agbakoba, spokesman for the Campaign for Democracy, said he was disappointed that the protest had received little backing in the north and east but said he hoped that links with the labour movement and with local leaders of the SDP who oppose the interim government would make future action more effective.

The Nigerian Labour Congress has said that it would consider concerted action if the military are still in power on August 27, although the 50,000-strong oil workers' union is threatening to strike unilaterally. Should they take such action, the government would then be under severe pressure, with oil exports accounting for over 90 per cent of export earnings.

● The US government has suspended direct air links with Nigeria, about five flights a week, because of long-standing security issues at Lagos airport.

S Korea bans false-name dealings

By John Burton in Seoul

SOUTH KOREA'S President Kim Young-sam, in a surprise announcement last night, ordered immediate implementation of a key financial reform to reduce the large underground economy.

Mr Kim invoked emergency powers to introduce a real-name financial transaction system, which bans the use of false or borrowed names in financial dealings.

Although action could have an adverse short-term impact on the already weak Korean economy – by prompting a fall in the stock market through the sale of shares held under false names – many analysts welcomed the move.

"This signifies that the new government is committed to economic deregulation and financial liberalisation," said Mr Andrew Holland, head of research at BZW in Seoul.

Mr Kim described the real-name system as "the most important reform for the construction of a new Korea" because "it would stamp out corruption".

An estimated Won3,000bn (£2.48bn) is held in false-name accounts.

Those holding assets under false names will have two months to deposit them into real-name accounts, which would then be subject to taxation. Those failing to do so will be subject to tax investigations and penalties.

Shares held under false or nominee names account for about 7 per cent of stock investor accounts.

In an attempt to persuade these investors to keep their money in the bourse, Mr Kim promised not to impose a capital gains tax on stock investment during his term, which ends in 1997.

The government will also call on institutional investors to buy shares if panic selling seizes the bourse. But some analysts predict that may not be necessary.

"The initial market reaction may be negative, but that will likely subside quickly as investors begin to understand the positive aspects of the real-name system on the stock market and the economy," said Mr Edward Kim of Korea Development Securities.

The full disclosure system is likely to promote more efficient capital allocation by allowing money trapped in the underground economy to flow into industrial investments. It could also curtail such malpractices as insider trading and stock price manipulation by big investors using false names.

There is concern, however, that there could be an immediate squeeze on short-term funds as some institutional investors, such as securities houses, borrow money to buy stock under government direction. This would increase interest rates and harm small and medium businesses, in particular. The government has promised to provide financial aid to these companies.

The government is also taking measures to prevent the flight of capital abroad or attempts to switch hidden assets from bank and stock accounts into property. This includes requiring those engaged in financial transactions to provide identification proving ownership of the assets.

● Workers at Hyundai Electrical Engineering yesterday voted to go back to work after a long-running pay dispute with management, the company said, Reuter reports from Seoul.

South African economy puts on 5.1% growth

By Philip Gawith in Johannesburg

SOUTH Africa's economy grew by 5.1 per cent in the second quarter, according to GDP figures published by the central statistical service yesterday, suggesting that the country's four-year recession has ended.

The improvement compares with growth of 1.4 per cent in the first quarter.

The news coincides with publication of fiscal data which suggest government finances are in reasonable shape. This follows speculation that the government would overshoot its deficit target.

Mr Derek Keys, finance minister, said the continued growth in GDP vindicated his view that the cyclical turning point to the downturn – which started in March 1989 – had been reached at the beginning of the year.

Most of the growth is attributable to the agricultural sector, which is recovering from a devastating drought. Real agricultural production increased by 231.5 per cent in the second quarter following first-quarter growth of 53.9 per cent.

Mr Keys said other pleasing aspects of the figures were that secondary industries continued to grow; growth in GDP owed nothing to higher government spending; and mining production continued to rise at a rate of 2.5 per cent.

China closes down 1,000 local development zones

By Lynne O'Donnell in Beijing and Alexander Nicoll in London

THE Chinese government, stepping up its drive to stop wasteful spending and curb the country's overheated growth rate, yesterday announced the closure of most economic development zones established by local governments to attract investment.

Xinhua, the official news agency, said 1,000 zones in southern coastal areas had been shut down, and the remaining 200 were being inspected with a view to further closures.

The measure will have no effect on special economic zones authorised by the central government to promote economic reform and growth, such as Shenzhen, just across the border from Hong Kong.

The zones being closed were set up by local officials who were attracted by real estate profits and offered tax breaks and other unauthorised incentives to match the attractions of authorised investment areas.

Mr Hu Ping, director of the Special Economic Zone Office, said the State Council, China's cabinet, had approved only 30 economic and technological development zones in the coastal areas.

He said only 10 per cent of the unauthorised zones had been beneficial for the local economy. One-fifth were waiting for money to start planned projects. They tied up scarce farmland, slowing agricultural production, he added.

"The objective is to stop land which has little prospect of development in the near future from being cordoned off when it could be used for crop growing," Mr Hu said.

Profligate spending and corruption among local officials are particular targets of the campaign of Mr Zhu Rongji, vice premier and central bank governor, to curb money supply and inflationary growth.

According to China Focus, a publication of the Princeton China Initiative in the US, Mr Zhu recently criticised officials in Guangxi province, in south-west China, who had ploughed over and fenced off 15,000 square kilometres of farmland of which 1 per cent had so far been taken up by construction.

Calculating that developing the land would cost the entire national development budget for six years, Mr Zhu is reported to have asked them: "Just let me know where the money is coming from... What is the rest of the nation to do meanwhile?"

Xinhua yesterday said officials in Beihai city, Guangxi province, had approved dozens of questionable property schemes, including casinos.

● China's trade deficit was $4.62bn in the first seven months of 1993, although trade officials are confident the current austerity measures will help achieve a surplus for 1992 by the year-end. Exports were up 4.7 per cent to $44.78bn over the same period of last year, and imports up 25.7 per cent to $49.4bn.

Resignation threat rejected by PLO

By Julian Ozanne in Tunis

THE Palestine Liberation Organisation, seeking to defuse a week-long row over how to pursue peace talks with Israel, yesterday rejected the resignation of three Palestinian peace negotiators from the Israeli-occupied territories.

The move came after Palestinian officials attending talks in Tunis said the PLO had come under pressure from Arab governments, including Saudi Arabia, to resolve the issue quickly and not let the three negotiators, the more moderate members of the team, resign.

Mr Suleiman Najjab, a member of the PLO executive committee, which addressed the issue yesterday for the first time, said the liberation movement had turned down the resignation threat by Mrs Hanan Ashrawi, Mr Faisal Husseini and Mr Saeb Erekat. It was not immediately apparent whether the three had formally withdrawn their resignations.

Mr Najjab also said the PLO would convene further meetings to discuss the issues raised by the three negotiators, who are upset about lack of consultation and co-ordination between the PLO and the negotiating delegation.

Palestinian participants in the talks said Mr Yassir Arafat, PLO chairman, had successfully exploited the resignation threat by delaying a final decision. They said Mr Arafat's chief purpose was to force Israel to realise it must open direct dialogue with the PLO to make progress in peace talks.

Mr Arafat has scared Israeli politicians with the prospect of a Palestinian peace team stripped of its moderates and led by hardliners such as Mr Haidar Abdel-Shafi, the chief negotiator who boycotted the recent Middle East visit of Mr Warren Christopher, US secretary of state.

Although Mr Yitzhak Rabin, Israel's prime minister, continues to rule out direct talks with the PLO, several senior cabinet ministers have called for the ban to be reviewed.

Australian unemployment

AUSTRALIA'S unemployment rate slid to 10.7 per cent in July, bringing it back to the level of April and May, the Bureau of Statistics reported yesterday, Reuter reports from Sydney. But analysts said the drop in the seasonally-adjusted rate from 11.1 per cent in June had more to do with people giving up the search for work than a surge in the number of new jobs.

Employment was unchanged at 7.74m after rising by a total of 84,000 in May and June.

India's new airlines seek wider horizons

Shiraz Sidhva reports on a campaign for swifter liberalisation of the skies

FREQUENT flyers on Indian Airlines, India's state-owned domestic carrier, were pleasantly surprised last week when they took the evening flight from Delhi to Bombay. Suddenly, checking in was no longer a nightmare. Ground staff were efficient. Most important, the flight took off on time.

Passengers – all with their own Indian Airlines horror story to narrate – were astonished when a smiling flight attendant laid out a crisp tablecloth before serving a stylish Indian meal with bread and fruit.

"See what competition has achieved," said one passenger, Mr Kantikumar Podar, a Bombay businessman and president of the Federation of Indian Chambers of Commerce and Industry. "There is a tremendous change in attitude and service. For the first time, it's a pleasure to fly Indian Airlines."

The introduction of the government's open skies policy two years ago has given domestic travellers a choice. Four private airlines – Jet Airways, East West Airlines, Damania Airways and Modiluft – operate on lucrative routes such as Bombay-Delhi and Bombay-Bangalore. Passengers may now walk into the main airports and buy a ticket an hour before a flight. Delays and overbooked flights may be things of the past.

For the first time, the 40-year-old state airline is facing competition in a market the new operators believe it has long taken for granted.

Passengers are attracted to the new airlines by punctuality as well as free alcohol and attentive service. Passengers flying Damania received individual thank-you letters from the managing director. A couple who complained about service on Modiluft were sent roses and a handwritten apology note.

However, despite the new airlines' efforts to make liberalisation work, the cards are stacked against them. The new airlines, which the government prefers to call private air taxi operators, face operational constraints as well as battles with a bureaucracy which, they say, tries to impede liberalisation.

"The government has granted us the permission to operate, but it is constantly safeguarding the interests of Indian Airlines at our expense," says the head of one airline. "The taxpayer is actually subsidising the inefficiencies of Indian Airlines, at a great cost to our economy and foreign exchange reserves." Indian Airlines made a loss of Rs2.11bn (£44.8m) last year.

Last week, the four airlines formed the Air Taxi Operators' Committee to urge the government to speed passage of a parliamentary bill to repeal the Air Corporation Act 1953, which prevents the formal legalisation of private carriers and grants protection to Indian Airlines as a departmental undertaking of central government. The bill is now before parliament.

The committee's demands include a clear-cut aviation policy with guidelines for air taxi operators.

"We are still termed non-scheduled operators, though we operate to schedules. Not being able to advertise and publish schedules poses a major marketing problem, especially abroad," says Mr Naresh Goyal, owner of Jet Airways, which has inter-line agreements co-ordinating flights with international carriers including British Airways.

The committee has urged the director general of Civil Aviation to withdraw a directive that private operators should operate an equal number of flights on routes of less than 700km and on those of more than that distance. "We are not charity organisations and this stipulation would mean that we would lose the flexibility of optimally deploying our limited resources," says one operator.

A further constraint is that private airlines are not allowed the best facilities at Bombay and Delhi airports. They share limited counter space in old, shabby terminals. New terminals are reserved for Indian Airlines' Airbus flights to leading cities. "The airports could benefit from rents if the unused counters and space at the new terminals were allotted to private operators," the committee said.

The committee has asked for a revision of airport and air traffic control timings, which are tailored to suit Indian Airlines' operations.

It has also requested adequate hangar space at airports. In the absence of any co-operation from Indian Airlines, private operators' aircraft have to go abroad to be serviced and even to have mandatory monthly checks. Spares and equipment have to be imported, which makes them more costly.

The private airlines' battle for equal treatment is likely to be a hard one. If the parliamentary bill is passed, Indian Airlines may be unable to continue flights on loss-making routes which would otherwise not be connected by air.

"Indian Airlines has a social commitment to the country that the private operators don't need to worry about," says an Indian Airlines spokesman. "None of the private airlines can match our infrastructure, and if it hadn't been for subsidies, how could we offer the lowest fares in the world?"

However, the private operators say that India's domestic air traffic has been stifled by Indian Airlines, and could grow substantially. "During its best year, IA catered to a volume of 10m passengers, but aviation experts say that the total market size could increase to 25m passengers," according to Mr Goyal.

Mr Thakiyudeen Wahid, managing director of East West Airlines, says: "East West has shown that with maximum utilisation, we can fly 8,000 passengers per day with 11 Boeing aircraft, compared with IA's 22,000 with a fleet of 53, including 24 Airbus A-320s and 11 Airbus A-300s."

Mr Parvez Damania, the 33-year old poultry farmer who started Damania Airways, says: "Indian Airlines and the airport authorities could provide us the engineering support, make their under-utilised infrastructure reap profits, and save considerable foreign exchange."

He says: "The attitude towards us is not right. We could work together with Indian Airlines to greatly expand the market. And Indian Airlines would be the first to benefit."

INDIA'S PRIVATE DOMESTIC AIRLINES

Jet Airways: Started by Jetair Private, a leading airline sales agent and travel agency, in May 1993, the airline operates a fleet of four Boeing 737-300s to 12 destinations, including four in south India. Linked with the SABRE worldwide reservations system, with inter-line co-ordination arrangements with 12 leading international airlines. Engineering back-up is provided by Australia's Ansett company. Initial investment was $20m, with a projected turnover of Rs2.40bn in the first year. Four aircraft are to be added to its fleet by end-1993.

East West Airlines: India's first private airline, started in February 1992, with an initial investment of Rs1bn, and a turnover of Rs5bn. The airline flies eight Boeing 737s and three Fokker-27s to 25 destinations, and is linked on to the Gabriel 2 global reservations system. Technical collaboration from Ireland's Aer Lingus, staff of 3000.

Damania Airways: This Rs260m project started operations in March 1993, and has 16 flights a day to six destinations. A Beechcraft 99 used exclusively on the short-haul Bombay-Pune sector, and Boeing 737-200s dry-leased from Air Portugal, make up the fleet, which will expand to five aircraft in the current year, and 10 by the end of next year.

Modiluft: Modiluft is leasing two Boeing 737-200 aircraft from Lufthansa, the German carrier. It has used the familiar yellow and blue international colours that Lufthansa uses, with light-blue boarding passes, and even a slightly modified bird logo of the airline.

Tajik-Afghan summit agreed

TAJIKISTAN and Afghanistan agreed yesterday their leaders would hold a summit meeting to resolve a conflict over their border but talks with Tajik rebels failed to free five hostages, Reuter reports from Dushanbe. The commander of Russian troops guarding the border said talks to free four Russian and a Kazakh soldier, taken into Afghanistan on Tuesday, had so far failed.

Wholesale prices in US down again

By Michael Prowse in Washington

US WHOLESALE prices fell for the second month running in July, indicating that the sluggish economic recovery is generating little or no upward pressure on inflation, the Labour Department reported yesterday.

A separate report showed that retail sales increased by a negligible 0.1 per cent between June and July, less than had been expected in financial markets and a warning signal that consumer caution could depress economic growth in the third quarter.

The producer price index for finished goods fell 0.2 per cent last month after a 0.3 per cent drop in June. The annual rate of wholesale price inflation fell to 1.3 per cent.

The fall mainly reflected a sharp decline in energy prices, which fell 1 per cent between June and July, and a slight drop in food prices despite the flooding in the Midwest. Excluding food and energy, "core" producer prices rose 0.2 per cent after a drop of 0.1 per cent in June.

The latest figures strongly suggest that the surge in prices recorded earlier this year – which prompted the Federal Reserve to threaten higher interest rates – was an aberration.

The recent sluggish growth of retail sales – the increase in June was revised down to 0.2 per cent from 0.4 per cent – mainly reflects a drop in car sales after an exceptionally good month in May. Excluding cars, sales rose 0.4 per cent last month after a 0.3 per cent gain in June.

Other data have been mixed. Employment figures for July published last week were encouraging, pointing to a solid gain in industrial production.

But the first estimate of growth in the second quarter – an annual rate of only 1.6 per cent – was worse than most analysts expected.

Most forecasters continue to predict a rebound in growth in the second half to an annual rate of 2.5-3 per cent.

Any such growth, however, will depend on whether the signing of President Bill Clinton's budget this week, by ending a long period of uncertainty about tax rates, will revive flagging business and consumer confidence.

Brazil ends curbs on gold market

By Christina Lamb in Rio de Janeiro

BRAZIL has allowed the first official gold exports by a private institution in what appears to be a step towards opening up its foreign exchange system.

Although Brazilian financial institutions have been permitted to trade in gold since 1989, only the central bank was able to sell overseas. On Monday new legislation came into force completely freeing the gold market and allowing private entities to export gold for the first time.

The first Brazilian company to take advantage of the change was Banco Cindam, a merchant bank and the country's largest buyer and refiner of gold from *garimpeiros*, or wildcat miners.

The business community hopes the next step will be to allow the free movement of dollars.

Baker to testify in Iraqi loans trial

By Alan Friedman in New York

MR JAMES BAKER, the former US secretary of state, yesterday became the latest former Bush administration official to receive a subpoena to testify in the forthcoming Iraqi loans trial, set to begin in Atlanta next month.

A subpoena was issued to Mr Baker and seven other state department officials by lawyers for Mr Christopher Drogoul, the former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro.

Mr Drogoul is accused of making more than $5bn of improper loans that helped to finance Iraq's war machine.

Mr Drogoul, who was allowed to change his plea from guilty to innocent last year after it emerged that the CIA had withheld vital documents from a federal judge in Atlanta, has claimed that the Iraqi loans were part of a covert policy approved by the Reagan and Bush administrations.

Those subpoenaed yesterday include Mr Lawrence Eagleburger, the former acting secretary of state; former US ambassadors to Baghdad Ms April Glaspie and Mr David Newton; Mr Abraham Sofaer, the former state department legal adviser; and Mr Richard Murphy, the former assistant secretary of state. Mr Robert Simels, lawyer for Mr Drogoul, said Mr Baker and others would be asked "to further corroborate US awareness of BNL's role in the finance of exports to Iraq".

Mr Simels said he had been notified that the Justice Department had filed a motion on behalf of former President George Bush to block the subpoena issued last month calling for him to testify in court.

He added that government lawyers were also seeking to issue their own subpoena, for notes and tapes of an interview conducted last year with Mr Drogoul by CBS Television. CBS said yesterday it would not comment until it had been formally served with the subpoena.

Clinton opens new front with forces

George Graham on a military leader more in step with president

PRESIDENT Bill Clinton's relations with the US military establishment started out on the wrong foot, with controversy over his avoidance of service in Vietnam. They went rapidly downhill when he became embroiled in the passionately argued debate over whether homosexuals should be allowed to serve in the armed forces.

But with the nomination of General John Shalikashvili, Nato's Supreme Allied Commander in Europe, next chairman of the joint chiefs of staff, Mr Clinton has the opportunity to start afresh in a relationship that poses far more substantial problems, in a period when the armed forces face simultaneously a large reduction in their size and a sweeping change in their missions.

The present incumbent, Gen Colin Powell, has turned the joint chiefs chairmanship, the top post for a US military officer, into such a high profile position that it is widely assumed he will step quickly into the political arena, possibly as a candidate for president, or at least for New York governor. However, no one seems absolutely sure which party he votes for.

Gen Shalikashvili was born in Poland, so he is constitutionally barred from moving on to the presidency. But he has already made it clear that he sees a limit to the responsibilities of his office.

"I have just been nominated for the position of chairman, not president of the United States," he remarked this week, laughing off a question on whether Russia and Ukraine should be brought into Nato.

Now 57, Gen Shalikashvili fled Poland at the age of eight and came to the US at 16, settling in Peoria, the archetypal midwestern town. He learnt English from watching John Wayne films, but has not wholly lost his Polish accent.

Associated Press

General John Shalikashvili with President Clinton yesterday

Although he comes from a military family – his father was a Georgian army officer and his grandfather a general under the Tsars – he was drafted into the US army, before taking a commission as an artillery officer.

He served in Vietnam, and took command of Operation Provide Comfort, the humanitarian operation in Kurdistan that some have seen as a prototype for new military missions after the end of the cold war.

The first indications are that Gen Shalikashvili will be far more amenable to some of Mr Clinton's suggestions than Gen Powell has been.

Firmly committed to the "Base Force" plan prepared under President George Bush, Gen Powell has appeared to resist the new administration's efforts to cut the defence budget more quickly.

He has also been downright obstructive to the president's desire to allow military service by gays – forcing Mr Clinton to accept a compromise that falls far short of his earlier commitments – and is understood to have been a voice of caution against military engagement in Bosnia.

Gen Shalikashvili says he finds the new policy on homosexuals quite acceptable. On Bosnia, however, he seems likely to bring a different point of view.

He has criticised the US for failing to take the lead at an earlier stage in the crisis in former Yugoslavia, and has shown himself to be much less worried than some other military leaders about the prospect that US military involvement in Bosnia could lead the country into a Vietnam-style quagmire.

"We are not fighting a first rate, fully combat-capable outfit like we have been preparing for for I don't know how many years. Never underestimate the mess and the nastiness you get into, but I think we have had too much over-estimating," he said recently.

This week, Gen Shalikashvili said he hoped it would not prove necessary to use force in Bosnia, but warned the Serbs not to underestimate US readiness to bomb them should the siege of Sarajevo not be loosened.

From his Saceur experience, however, Gen Shalikashvili is unlikely to accede to calls for any acceleration in the reduction in US forces. He has voiced concern about its impact on morale.

Venezuelan president wins special powers

By Joseph Mann in Caracas

THE Venezuelan congress has granted President Ramon J. Velasquez special powers until the end of this year to introduce a series of economic measures by decree.

The Velasquez government, a transition administration scheduled to leave office next February, asked the congress for these special powers to address a series of problems, including the growing fiscal deficit.

The special powers bill, covering areas normally reserved for the national legislature, will allow the president to introduce:

- A sales tax and a tax on the assets of private companies;
- Reform of the financial system, including opening up the banking system to foreign investment;
- Initiatives to help farmers;
- Reforms of tax legislation aimed at raising revenues and applying corporate taxes to private investors in the oil and gas sectors;
- A change in the law for the privatisation of state-owned airline Aeropostal.

In other legislative action, a joint session of congress also approved a long-awaited privatisation law reform, aimed at speeding the process.

President Velasquez, who took office on June 5, has said that his interim government cannot solve the nation's problems during its short term in power, but that it will pave the way for a new president, scheduled to be elected in early December.

The current administration will receive relatively little revenue from the new sales and asset taxes, but they should provide the next government with a stronger fiscal base.

The administration is facing a combination of economic problems. Revenues from oil exports, which provide the government with most of its income, have fallen because of weak international oil prices; the central government is projecting a fiscal gap of around $3.7bn (£2.5bn) for 1993. Inflation stands at around 36 per cent a year, and economic growth has dropped sharply from last year's 7.3 per cent.

'Temporary stalemate' in negotiations on pact's labour and environment side-deals

Canadians dig in on Nafta sanctions

Campbell: "not satisfied".

By Bernard Simon in Toronto

CANADA'S business community yesterday threw its support behind the Ottawa government's refusal to include trade sanctions in the side-deals on labour and the environment being negotiated as part of the North American free trade agreement.

Disagreement between the US and Mexico on one hand, and Canada on the other, over the enforcement of labour and environmental standards has thrown a wrench into the protracted negotiations on the side-deals.

Officials had hoped that the three countries' trade ministers would meet in Ottawa today to finalise them. But a Canadian government official said yesterday that talks had reached "temporary stalemate". He said that Ms Kim Campbell, prime minister, "was not satisfied that everything had been done to come up with the best deal."

Ms Campbell is expected to discuss the sanctions issue by phone in the next few days with President Bill Clinton and Mexico's President Carlos Salinas de Gortari. Conclusion of the negotiations is seen largely as a matter of political will.

The Clinton administration has promised to conclude the two side-deals before submitting Nafta to Congress for ratification. It has also insisted that trade remedies, such as the reintroduction of customs duties, be included as a penalty against violators of environmental and labour standards.

The US and Mexico are understood to have agreed on a dispute-settlement formula which would include various types of sanctions, but with trade remedies as a last resort.

Mr Thomas d'Aquino, president of the Business Council on National Issues, which represents the chief executives of Canada's 150 biggest companies, said yesterday: "We very strongly applaud the position which the federal government has taken."

Damian Fraser adds from Mexico City: While Mexico may have already agreed to accept trade sanctions for non-compliance with environmental laws as part of the side-deals, it has firmly rejected apparent US and Canadian pressure for the right to be able to sue Mexico in Mexican courts.

Sanctions would only occur in the last resort, would be extremely rare, and would involve tariffs on certain goods returning to their pre-Nafta level, according to a report in El Financiero newspaper.

A Mexican official said that "there are very few points" that divide the three countries, but it was "not over until it's over". He suggested the main problem was a lack of political will in Canada to reach an agreement, given the concern with its forthcoming general election.

The official confirmed the veracity of a cable obtained by Reuter and sent out on Wednesday which suggested that Mexico would break off side negotiations on Nafta if the US and Canada demanded the right to sue Mexico in its own courts, presumably for not enforcing its environment and labour laws.

The cable was sent to Mexican negotiators in Washington from the Trade Ministry. It said that "the pretension of the US and Canada to include the possibility of suing Mexico in its own courts attacks the concept of sovereignty and is as such inadmissible. It is in fact a breaking point."

Suing the Mexican government in Mexico would almost certainly be futile, since the courts would be highly unlikely to rule against their own government in favour of the US even if able to.

Singapore in plan for new town

KEPPEL, the Singapore government-controlled conglomerate, is to head a consortium of Singapore companies developing an industrial township in Suzhou, near Shanghai in China, writes Kieran Cooke in Kuala Lumpur.

The proposed township – described as Singapore II by the Singapore press – will be developed using Singapore's integrated planning approach as a model. The aim is to attract $20bn of investment in the town, which will eventually have a population of more than 600,000.

The consortium, which includes many of Singapore's most prominent semi-state and private companies, will have a 65 per cent stake in the joint venture company developing the new township, while the Suzhou authorities will hold the remainder.

Correction

New Athens airport

In the Financial Times of August 4, a contract for a new airport near Athens was recorded as being at Sparta. It should have read Spata.

East Asia at odds on road to growth

Regional conference points up the problems of co-operation, writes William Keeling

OPTIMISM that east Asia will lead world economic growth tables into the next century was palpable at the "Indonesia, Asia Pacific and the New World Order" conference in Bali this week. As Mrs Carla Hills, former US trade representative, said, the region has the potential "to trigger an economic renaissance worldwide".

There was less unanimity, however, about how the region should co-operate to maximise future growth.

While Chinese delegates pleaded otherwise, most east Asian nations regard Beijing as a trading competitor, not an ally. Japanese delegates found themselves isolated by demands that Tokyo improve market access for foreign goods and companies. There was no accord on arguably the most critical issue: whether east Asia should proceed alone or forge an Asia-Pacific axis with the economies of North America.

The conference, which brought together leading Asian politicians, academics and businessmen, highlighted the recent economic liberalisation and growth of China, a process which "is not reversible", according to Prof Edward Chen, a member of Hong Kong's executive council. China is not unique in east Asia, with other developing countries such as Thailand and Malaysia preparing to join South Korea and Taiwan among the ranks of newly industrialised nations.

Political analysts, however, sounded a note of caution. Prof Robert Scalapino, a leading Asia academic, warned of the "awesome problem" of China's swelling urban population. "Higher education has fallen into a terrible state," he said, and "the speculative boom in property and stocks has dangerously depleted bank resources."

In Indonesia, the world's fourth most populous country, "social dislocation will be the major political issue," said Prof Juwono Sudarsono of the University of Indonesia. "Strikes, human rights issues and land issues will tax the ingenuity of the political leadership".

Sustained economic growth, most delegates argued, would allow countries to meet their domestic political challenges. They were less confident that nations could meet the challenge of economic co-operation. Chinese delegates called for the development of regional trade associations, but speakers highlighted east Asia's poor record in the field.

The most prominent organisation is the six-member Association of South East Asian Nations (Asean). But, as Mr Anwar Ibrahim, Malaysian finance minister, noted: "Asean, despite.... booming individual economies, has yet to achieve something substantial in economic collaboration. "Should any country venture to dominate others the [Asean] grouping would collapse immediately," he warned.

> Should east Asia proceed alone or forge an axis with N America?

Delegates said the same concern would preclude the effective development of wider regional groupings, such as the East Asian Economic Caucus, backed by Malaysia, or the Asia Pacific Economic Community (Apec), which groups east Asian nations with the US, Canada, Australia and New Zealand.

Although the region is without serious conflict, Prof Paul Evans, director of the Joint Centre for Asia Pacific Studies in Canada, stressed that security relations between nations remained a "significant nightmare".

Delegates pointed to the continuing tensions in China-Taiwan relations, Korean unification and contested sovereignty of the Spratly Isles in the South China Sea as underlining the importance of continued US military presence in the region. A military role gave muscle to Washington in its promotion of the wider Apec forum to facilitate US economic involvement in east Asia.

President Bill Clinton has invited Apec leaders to an informal meeting in Seattle in November to discuss Asia Pacific issues, but east Asian countries remain sceptical about US intentions. Malaysia has said that its prime minister will not attend, and as Prof Scalapino commented: "The Chinese leadership cannot avoid the belief that the US is deeply subversive."

Many delegates believed the US would use Apec to put pressure on Japan to improve market access in the name of economic co-operation. Through its trade surplus, "Japan exports its unemployment to the rest of the world," said Prof Fred Bergsten, director of the Institute for International Economics in the US.

Asian delegates accused the US of interfering in their countries' internal affairs by linking trade concessions with labour conditions and human rights. But while most delegates were united in anti-US sentiment they agreed with Washington that Japan was too protectionist. Any opening up of Japan's economy would benefit east Asian nations for which it remains the main export market.

The likely outcome for the Asia Pacific, delegates said, was the formation of several economic associations, none of which would have any great power.

Few delegates challenged the assertion of Mr Gareth Evans, Australian foreign minister, that east Asian nations had a "steady convergence of aspirations and a growing sense of community". They also agreed the pace of change toward economic co-operation would be slow.

NEWS IN BRIEF

Romaero to make parts for Boeing

ROMAERO, a state-owned Romanian group, has signed a letter of intent with Boeing, the US aircraft manufacturer, to produce parts for both the Boeing 737 and the new 777 model, a 600-seater, twin-jet aircraft, Romaero said yesterday, Virginia Marsh writes from Bucharest.

Romaero said the two companies were still discussing what would be produced in Romania but they hoped to conclude a $12m (£8m) contract for manufacturing parts up to sub-assembly shortly.

Romaero also said it hoped to continue talks with British Aerospace over the modernisation of the BAC 1-11 jet next month. The company has produced BAC 1-11s under licence since 1982 but the agreement was frozen last month by BAe due to non-payment of some $10m in technical assistance and licensing fees from the Romanians.

Romaero said it was trying to raise financing from US banks on the basis that it had an order worth $250m for 11 upgraded BAC 1-11s from Kiwi International, a new US airline.

Skanska in Colombian contract

Skanska, Scandinavia's largest construction group, has finally secured a $240m contract to build a hydroelectric power plant in Colombia, nine years after first signing a contract for the work, Christopher Brown-Humes reports from Stockholm.

A group of banks in the Nordic countries, Canada, Venezuela and Colombia are putting up the funding for the project, which has mainly been hampered by financing difficulties. Skanska's share of the project is 80 per cent.

The plant, which will have an installed capacity of 340MW and annual production of 1,428 GWh, is to be built in Cordoba province near the Caribbean in northern Colombia. Construction work is scheduled to start in September and take six years.

Skanska will be working alongside the Colombian contracting company Conciviles on the civil works and will be assisted with services and purchasing by the Foundation Company of Canada.

Racal-Datacom in Asian moves

Racal-Datacom, the voice and data communications arm of the UK's Racal Electronics, has signed an agreement with Singapore Telecom which it believes could be worth up to S$10m (£4.1m) over the next three years, Andrew Adonis writes from London.

Under the agreement Singapore Telecom's commercial arm will distribute Racal-Datacom's digital, analogue and network management products, and build networks for its customers based on them.

Racal-Datacom also yesterday opened an office in China, underlining its determination to advance in Asia-Pacific. The region has the world's fastest growing telecommunications market and Singapore has one of its most advanced networks.

The Singapore deal is modelled on a similar alliance with British Telecommunications, estimated to be worth £48m over three years. Racal-Datacom has other alliances with US carriers MCI, Bell South and US West.

Togo offers to buy Sicilian plant

The government of Togo, a leading phosphates producer, has offered to buy into a big fertilisers complex at Gela in Sicily, lying idle for the past year, Haig Simonian reports from Milan.

The Gela complex includes ISAF, which produces sulphuric and phosphoric acids as well as other base materials for fertilisers, and fertiliser processing plants. ISAF is controlled by Italy's state-owned EniChem chemicals group, while the Sicilian regional government has a 48 per cent stake.

No details of the proposed transaction, unveiled by the representative for industry in the Sicilian regional government, have been revealed. The proposed purchaser is the Office Togolais des Phosphates, the Togolese state phosphates producer.

● Manufacturing production down 2.1% ● Jobless total rises ● Pound slips to DM2.51

Falling output raises doubts on economy

By Emma Tucker and Stephanie Flanders

DOUBTS ABOUT the strength of the UK economic recovery increased yesterday with the news that manufacturing output fell steeply in June, while unemployment crept marginally higher last month.

The figures, which are unlikely to represent a reversal in the UK's economic fortunes, nonetheless highlighted the patchy nature of the recovery.

Manufacturing output in June fell a seasonally adjusted 2.1 per cent compared with the previous month. The drop more than offset a 1.8 per cent rise in May and took output back to roughly the same level as in February.

Other official figures showed that the number of people out of work and claiming benefit rose a seasonally adjusted 200 last month, following a revised fall of 4,800 in June. The increase, the first since January, took the unemployment total to 2.91m, a rate of 10.4 per cent. Unadjusted, unemployment rose by 64,000 to 2.92m.

Average earnings growth slowed again, underlining the weakness of employee wage negotiators, in spite of recent falls in unemployment. Earnings rose an underlying 3¼ per cent in the year to June from 3¾ per cent in May, pushed lower by the 1.5 per cent ceiling on public sector pay settlements.

The pound slipped back on the worse than expected economic news to close 1¼ pfennigs down on the day at DM2.5175. Although share price gains were modest, the FT-SE 100 index reached a new record close of 3,009.1, up 3 points on the day.

The Central Statistical Office said the fall in manufacturing output, the sharpest monthly drop since February 1988, was largely a correction from May's figures inflated by the late bank holiday. The drop was widely spread across industry, although it was slightly sharper for metals and mineral production.

In the three months to June, manufacturing output rose by 1.4 per cent compared with the previous three month period, but the bigger than expected downturn in June will add to speculation that the recovery may be slowing.

Most of the quarterly growth came from higher output of investment goods. Production in this sector rose by 2.4 per cent compared with the three months to March.

In the consumer goods sector, output rose 0.7 per cent in the latest three months, with car production the only buoyant category, rising 10.2 per cent quarter-on-quarter.

According to the CSO's figures, manufacturing output in the three months to June was 3.1 per cent higher than the same period a year ago.

Total industrial production, which includes energy and water supply, fell 0.6 per cent month-on-month but rose by 0.8 per cent over the entire quarter compared to the first three months of the year.

Mr David Hunt, the employment secretary, was optimistic about the latest jobless figures pointing to "encouraging signs".

"Although headline unemployment always rises in July as 600,000 school and college leavers start to flood on to the labour market, today's increase of 200 in the seasonally adjusted figure is in marked contrast with this time last year when the figure rose by 36,000," he said.

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Scientists divided on destroying smallpox

By Clive Cookson, Science Editor

AN EMOTIONAL debate at an International Congress on Virology in Glasgow this week produced no consensus on whether to destroy the last known stocks of smallpox, kept deep-frozen in two laboratories in the US and Russia.

A clear-cut verdict by the 1,000 microbiologists would have given a strong lead to the World Health Assembly, which is expected to decide the fate of the virus at the United Nations next year. But no vote was taken at the end of the evenly balanced debate in Glasgow.

A worldwide vaccination campaign eradicated smallpox in the wild. The last naturally transmitted case was in Somalia in 1977, though the final smallpox victim was Mrs Janet Parker, a medical photographer who died in 1978 after some virus escaped at Birmingham University.

After that accident, the world's microbiologists agreed to store remaining virus samples in high-security laboratories in Atlanta and Moscow.

Dr Ken Berns of Yale University, who chaired the debate, said the destructionists relied mainly on political arguments while their opponents emphasised the scientific benefits of keeping the virus alive.

The preservationists argue that:

● Further research, using new genetic techniques, could shed light not only on why smallpox was so dangerous but on why some viruses are more virulent than others.

● The Atlanta and Moscow stocks might not be the only remaining smallpox in existence. The virus could conceivably survive in bodies buried decades ago in the Siberian permafrost. Or there could still be samples in other laboratories, concealed or just forgotten – ampoules of smallpox virus were discovered in 1985 in an old refrigerator at the London School of Hygiene and Tropical Medicine.

● Even if smallpox is extinct, a similar disease might occur if a related animal virus such as monkey pox mutated into a form that infected humans. The original virus would be a useful reference for fighting the new disease.

The fate of smallpox could set a precedent for other disease agents. The World Health Organisation is campaigning to eradicate polio by the year 2000.

British Coal aims to close 15 pits in eight months

By Michael Smith

BRITISH COAL, the state-run corporation, wants to close up to half its 30 working pits within eight months following an investigation which suggested only about a dozen pits have a long-term future.

British Coal's latest prognosis is worse than anything it has so far acknowledged. It means a significantly larger contraction of the industry than the government admitted was in prospect last October when public anger forced a retreat on widespread pit closures.

In considering whether to sanction 15 closures in the current financial year, as British Coal would prefer, ministers will be wary of stirring controversy at a time when they need maximum from Conservative MPs for the planned coal privatisation.

The Department of Trade and Industry is thought to have accepted the economic case for the 15 closures. Hesitation in implementing them stems from concern about the political consequences.

Ministers and British Coal are, however, acutely aware that delay will store up problems for the 12 or so core pits that are likely to comprise the company when it is privatised.

British Coal's stockpiles, already above 14m tonnes, are growing at up to 1m tonnes a month. The higher they rise, the greater the likelihood that private sector operators will add to the closure list in future years.

Mr Gerard McCloskey, disclosing British Coal's thinking in his Financial Times International Coal Report weekly facsimile to subscribers, says not even 12 pits will survive in the long term if new private sector mine owners opt to meet contracts from existing stocks.

Pressure is building for a closures announcement as early as next month. But the simultaneous closure of 15 pits is unlikely, following the reaction to last October's announcement.

More likely, British Coal will announce fewer than half a dozen closures at first. More would follow piecemeal throughout the remainder of the financial year.

It is likely that demoralised miners at some pits would volunteer for closure rather than risk missing out on an enhanced redundancy scheme, which is only guaranteed until December. This has already happened at Rufford, in Nottinghamshire, and Markham, in Derbyshire.

British Coal's problems stem from the policy document on coal in March which reprieved 12 pits earmarked for closure in October 1992 but did little to find a market for their coal.

Since then the electricity generators, which are British Coal's main customers, have shown reluctance to buy coal in excess of existing contracts. Moreover, sales to generators under these contracts will fall from 40m tonnes this year to 30m in 1994-95, making closures among the previous core of 19 pits inevitable.

The government is committed to offer to the private sector any pits no longer wanted by British Coal in the run-up to privatisation. Companies will be offered subsidies for any coal they can sell to the generators before privatisation.

The reformation: St Andrew Undershaft, a 12th century church devastated by an IRA explosion in the City of London 18 months ago, is due to reopen shortly following painstaking repairs. The stained glass, shattered by the blast, is now being replaced (above). Because few photographs of the windows existed, the area was swept for traces of glass depicting the original design. Since then, craftsmen have spent months redesigning missing elements. Installation will take up to three weeks as the workmen replace each panel individually.

Britain in brief

Loan group to end tie with insurer

Cheltenham & Gloucester building society, the UK's sixth largest home loan and savings institution, is to cease sales of life assurance once its five-year exclusive distribution agreement with Legal & General insurance company ends in November. It says it will concentrate on the sale of interest-only and repayment mortgages.

There has been increasing criticism of the sale of endowment policies, long-term savings plans sold by insurance companies and intended to pay off the mortgage on maturity, because of their high charges and uncertain final returns.

C&G decided to stop urging its customers to take endowment mortgages in 1990. Mr Andrew Longhurst, chief executive of C&G, said the building society would prefer to let borrowers choose their own method of repayment. Mr Longhurst said, C&G's low cost base means it does not need the extra income from the sale of insurance products to remain profitable.

New material for condoms

London International Group, the world leader in branded condoms, has developed a polyurethane material, trademarked Duron.

LIG said that, as Duron is twice as strong as latex – the usual material for condoms – it can be made much thinner, giving greater sensitivity. In laboratory tests, Duron proved an effective barrier to viruses much smaller than HIV, the Aids virus.

The new condoms will be test marketed in the US next year and in other countries depending on regulatory approvals. The material has already won US Food and Drug Administration clearance and key parts of the manufacturing process have been patented.

Belfast Airport to be sold off

Belfast International Airport is to be sold to the private sector. Mr Robert Atkins, the Northern Ireland economy minister, said he would invite bids and indicated he would like to see a sale to local interests or a management buy-out.

Accountant Touche Ross is handling the privatisation and expects the process to be completed by the middle of next year.

Truck tonnage falls sharply

The number of trucks above 3.5 tonnes gross vehicle weight operating in the UK fell by nearly 3.5 per cent last year to 415,000 under the impact of recession.

Truck sales have been more than halved since the peak reached in 1989, and the stock of trucks has dropped by 13.2 per cent from 478,000 in 1989. The total stock of trucks currently licensed in the UK is at its lowest level for 10 years according to a report published yesterday by the Department of Transport.

Flooding threat to London tube

Part of London's underground railway is threatened by flooding because the water table is rising by 2.5 metres a year at Trafalgar Square. London Underground, which runs the system, said it needed £18m for "urgent remedial work" this year, but had only received £9m. Already, 3m gallons of water are pumped out of tunnels and stations daily.

It said some of its drains were built in the 1860s and needed upgrading, while almost half the network's 635 pumps need to be replaced. The Underground lines affected include the Central, Northern and Piccadilly.

Oftel to meet telecom rivals

Oftel, the telecoms regulator, has invited British Telecommunications and its competitors to a meeting in early October to discuss future arrangements for interconnection by competitors to the public telecommunications network.

The day-long private seminar, an unusual departure for a regulator, is to give BT the chance to spell out its proposals for standard published interconnection tariffs and to give competitors an opportunity to respond, before Oftel determines the future framework for interconnection.

Health warning issued on eels

The Department of Health has issued a warning after pesticide traces were found in eels. Officials said it was "prudent to limit consumption" of eels caught in the Humber, Yorkshire Ouse, Thames, Itchen and Test in Hampshire, Severn and Trent.

Fishing curbs branded 'draconian'

By Alison Maitland

GOVERNMENT plans to restrict the number of days Britain's fishing fleet can spend at sea are "draconian" and should be abandoned, according to a cross-party committee of MPs.

The measures "amount to little more than decommissioning on the cheap," the Commons agriculture committee says today in a report on fishing conservation measures. "They carry the risk that the UK fleet will suffer a catastrophic financial implosion."

The government is introducing the measures as part of its effort to cut fleet capacity by 19 per cent by 1996, under an EC agreement to conserve over-exploited fish stocks.

It intends that the days-at-sea limits should achieve a capacity reduction of up to 8½ per cent. The rest of the cuts would be obtained through a £25m programme of decommissioning and licensing controls on all fishing vessels.

The days-at-sea restrictions, to be introduced next January, affect all vessels more than 10 metres long.

Instead of the days-at-sea policy, the committee proposes each fishing boat be allocated an individual quota for the particular types of fish it catches.

Fishermen would initially have to buy "individual transferable quotas," possibly by government auction. "The government could then intervene in the market by buying quotas to reduce fishing effort," says the committee. "Alternatively, as occurs in other quota systems, a percentage of each quota could be shaved off to reduce fishing effort."

The MPs admit fishermen are likely to oppose such a scheme.

The report also criticises the EC Common Fisheries Policy which, it says, is undermined by the discrepancy between member states on enforcement of conservation rules.

The UK, for example, has 152 inspectors compared with only 12 for Spain, according to Commission estimates.

The report adds that overseas fishermen often complain "that they are subjected to over-zealous supervision when fishing in UK waters".

In spite of Spanish moves to increase the number of inspectors and tackle infringements, the committee says it attaches credence "to most, if not perhaps all, of the evidence we received about malpractice on the part of a number of Spanish vessels."

Speeding Rover overcomes stalled start

John Griffiths examines the prospects for one of the few European car producers to defy market trends

As of today, British Aerospace (BAe) is free to sell Rover Group, the BL cars and Land Rover business it bought for £150m five years ago. There has been much speculation that BAe would seek to unload Rover for a tidy profit – current estimates of its value range around £500m – the moment the government's privatisation terms made it possible.

But there is no queue of would-be buyers lined up. And with Rover on the verge of returning to trading profit, and currently alone among European car makers in increasing sales in EC markets, there is no sign that BAe is even getting ready to sell it.

Volkswagen/Audi, whose dash for European market supremacy through acquisition once made it the favourite bidder for Rover, is too financially troubled.

Ford almost certainly would have felt constrained to prevent a VW takeover. But, making heavy losses of its own, it too has no cash.

From both points of view, "the best result is that Rover remains the industrial equivalent of Belgium", observes Prof Garel Rhys of Cardiff Business School's motor industry research centre.

Few other large carmakers are looking at Rover with interest. Even Honda, with which Rover has a 20 per cent cross-shareholding, claims no desire for control, although it may consider an increased holding.

One reason is the current depressed European motor industry. West European sales are down 17.7 per cent so far this year. But even if the climate were better, Ford's hard struggle to make viable its £1.6bn purchase of Jaguar and General Motors' similar struggles with Saab have made the industry wary of acquisitions.

The fundamental question now is whether the UK's emergence from its steepest post-war car sales slump and the strong progress Rover is making in continental Europe and North America, really are combining to provide it with a viable long-term future.

As Prof Rhys and other industry analysts point out, Rover has had an embarrassing number of "false dawns" in which supposedly attractive new model programmes failed to live up to their promise.

Rover has only recently begun reversing its long UK market share decline, from more than 40 per cent in the 1960s to 13-14 per cent by the early 1990s.

The smaller Rover 200/400 car range has re-established Rover as a serious competitor. Following a £200m investment to transform production facilities at Cowley, the Rover 800 has become a market leader in the UK executive car sector.

Production of Discovery and Range Rover models cannot keep pace with demand, and Rover expects to quadruple sales of these vehicles, to 16,000 annually, in the US over the next couple of years.

Cowley, the company's central England plant, reflects the new flexibility of the group. Its workforce is building ageing Montego and Maestro models while demand persists.

A few yards away, the MG RV8 sports car, one of a number of niche vehicles marketed by Rover's new Special Projects Division, is being virtually hand assembled.

Large productivity improvements – a claimed 18 per cent at Cowley so far this year – and the introduction of "lean" distribution which has taken thousands of cars out of the supply pipeline are also driving down costs.

Mr John Towers, Rover's managing director, says the company is now close to its target of financial break-even at 400,000 cars a year.

The trouble is last year's production was only 405,000, and output is down marginally again this year.

That analysts expect Rover to achieve a trading profit of £30-50m this year is thus largely the result of Rover's rigorous cost-cutting. But with current debts of around £400m Rover would still be making a net loss.

Next year, recovery should lift profits to £90m-£100m and Rover should move closer to its proclaimed ideal volume of around 500,000 vehicles a year.

The question being asked by analysts is whether, given the fiercely competitive state of markets, such a volume will be enough to provide adequate profitability while sustaining needed investments of well over £200m a year.

Prof Rhys, for one, believes that Rover may have to lift output beyond the 500,000 level, to 600,000 and possibly more, "in order to make reasonable, sustained profits".

Between its Longbridge and Cowley plants, Rover retains a theoretical capacity of nearly 1m units. But to utilise more of it effectively would require more models – not only a firm commitment to replacing the Metro small car, but possibly a smaller four-wheel-drive and a "people carrier" as well as the already-mooted MG small sports car.

Nevertheless Mr Towers maintains Rover's sustained viability is no longer in doubt – a view firmly entrenched in management ranks.

Those ranks may well seek to stake their futures on that view. There is growing talk of a management buy-out proposal for next spring.

BUSINESSES FOR SALE

Midland Investment Casting Company Limited ("MICC")
Betabite Hydraulics Limited ("Betabite")
Aeromech (Components) Limited ("Aeromech")
Precision (Auto) Parts Limited ("Precision")

(All in Administrative Receivership)

The joint administrative receivers offer for sale the business and assets of the following companies:

MICC

- Producers of "Lost Wax" investment castings in ferrous and non ferrous materials.
- Future order book in excess of £350,000.
- Historic turnover of approximately £1.75 million p.a.
- Approximately 50 employees.
- Freehold premises of approximately 38,000 sq ft at Firs Industrial Estate, Kidderminster, Worcestershire.

BETABITE

- Leading manufacturers of extensive stocks of compression fittings in mild and stainless steel.
- Blue Chip customer base.
- Historic turnover of approximately £1.6 million p.a.
- Semi skilled workforce of approximately 30 employees.
- Freehold premises of approximately 18,000 sq ft at Manor Park, Runcorn, Cheshire.

AEROMECH AND PRECISION

- Suppliers to the motor trade of valve guides, valve seat inserts and pre-combustion chambers for diesel engines.
- Blue chip customer base.
- Historic turnover of approximately £600,000 p.a.
- Semi skilled work force of approximately 15 employees.

For further information please contact:

D K Duggins or R Bailey,
Arthur Andersen,
1 Victoria Square,
Birmingham B1 1BD.
Tel: 021 233 2101 or 0562 824001. Fax: 021 643 7647 or 0562 820563.

ARTHUR ANDERSEN

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Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

DUNKELD GROUP PLC

In Administrative Receivership

The Joint Administrative Receivers offer for sale as a going concern the Business and Assets of Dunkeld's Swimwear and Shirt divisions:

SWIMWEAR DIVISION
Neal & Cooper Limited
Slix Limited
(Both In Administrative Receivership)
London

Designs and manufactures own label and branded ladies swimwear for high street and mail order retailers.
Principal features include:

- Largest producer of ladies swimwear in the U.K. accounting for 18% of the market.
- Customers include major department stores, high street multiples and independent retailers.
- Brand name 'Slix'.
- Freehold property on the North Circular Road, London.
- Manufactures own knitted material.
- Skilled workforce of 170.
- Audited annual turnover for the year to November 1992 £5.2 million, forecast for the year to November 1993 £6.2 million.

For further information please contact the Joint Administrative Receivers; Phillip Sykes and John Hill, BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH
Tel: 071 489 6193 Fax: 071 489 6295

SHIRT DIVISION
Ben Sherman (Manufacturing) Ltd.
The Branded Shirt Company Ltd.
(Both In Administrative Receivership)
London and Northern Ireland

Manufactures and imports shirts for workwear and branded sectors.
Principal features include:

- One of the four largest suppliers of men's shirts to the U.K. market.
- U.K. customers include major retailers for branded products and major employers for workwear.
- Brand names include, 'Ben Sherman', 'Tern', 'Pierre Balmain', 'Inigo Jones' and 'Panache'.
- Freehold properties in Lurgan and Londonderry.
- Skilled workforce of 300.
- Audited annual turnover for the year to November 1992 £10.5 million, forecast for the year to November 1993 £12.5 million.

For further information please contact the Joint Administrative Receiver, Eric Bell, BDO Binder Hamlyn, 12 Malone Road, Belfast BT9 5BP Northern Ireland.
Tel: 0232 381900 Fax: 0232 661772

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By order of:

David Patrick Collings, Administrator, Clark Collins, Insolvency Practitioners, 6/8 Church Street, Edenbridge, Kent TN8 5BD
Tel: 0732 866633

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LEGAL NOTICES

In the matter of
SOPUB LIMITED
(Prev. Sooth Publications (UK) Ltd)
and
in the matter of
THE INSOLVENCY ACT 1986

Notice is hereby given, pursuant to Section 105 of the Insolvency Act 1986, that a general meeting of the members of the above-named company will be held at 20 Farringdon Street, London EC4A 4PP on 17 September 1993 at 10.30 am and will be followed by a meeting of creditors at 11.00 am for the purposes of receiving an account of the acts and dealings by the Liquidator and of the conduct of the winding up to date.

Proxy forms if applicable, must be lodged at P.O. Box 730, 20 Farringdon Street, London EC4A 4PP not later than 12 noon on 16 September 1993.

Date 10 August, 1993
Signed
A J McMahon
Liquidator

In the High Court of Justice Chancery Division — No. 005998 of 1993

IN THE MATTER OF
S W WOOD GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of High Court of Justice, Chancery Division dated the 28th July 1993 confirming the cancellation of the amount standing to the credit of the Share Premium Account of the above named Company was registered by the Registrar of Companies on the 30th July 1993.
Dated 13 August 1993
CLIFFORD CHANCE
200 Aldersgate Street
London
EC1A 4JJ
Ref: KO
Solicitors to the Company

Notice of appointment of Joint Administrative Receivers

PARC (BATTERSEA) LIMITED

Registered number 2168312. Nature of business: Property Developer. Trade classification: 38. Date of appointment of administrative receivers: 2 August 1993. Name of person appointing the administrative receivers: Omnicorp Overseas Limited (In Liquidation). Joint Administrative Receivers: Anthony Victor Lomas (office holder number 7240) and Colin Graham Bird (office holder number 1257)
Address: No1 London Bridge, London SE1 9QL.

PUBLIC NOTICES

RADIOACTIVE SUBSTANCES ACT 1960

APPLICATION BY NUCLEAR ELECTRIC PLC TO DISPOSE OF RADIOACTIVE WASTE

The Chief Inspector of Her Majesty's Inspectorate of Pollution (HMIP) and the Minister of Agriculture, Fisheries and Food are considering an application from Nuclear Electric plc, in accordance with the Radioactive Substances Act 1960, to dispose of gaseous, liquid and combustible radioactive waste from their premises at Sizewell B Nuclear Power Station, Sizewell, Nr. Leiston in the County of Suffolk.

Copies of the application from Nuclear Electric plc together with draft Certificates of Authorisation and Explanatory Memoranda, which have been prepared for this public consultation, can be inspected at: All public libraries in the County of Suffolk; The libraries of Gorleston, Great Yarmouth, Harleston, Long Stratton, Norwich and Thorpe St Andrew in the County of Norfolk; The libraries of Clacton on Sea, Colchester (Main and Prettygate), Harwich, Maldon and Witham in the County of Essex; The council offices of Suffolk County Council, Suffolk Coastal District Council and at HMIP's main offices in London, Bedford, Bristol and Leeds during normal working hours from 13 August 1993 until 8 October 1993.

All comments should be sent as soon as possible and in any event to arrive no later than 8 October 1993 to Sizewell B Public Consultation, HM Inspectorate of Pollution, PO Box 143, Bedford, MK42 0PN. E677/01/IPAN (1)

CONTRACTS & TENDERS

INVITATION TO SUBMIT BIDS FOR THE PURCHASE OF 18141 SHARES REPRESENTING A 67.19% INTEREST IN THE

ARAB COMPANY FOR HOTELS & TOURISM INVESTMENT (ACHTI) (CAIRO - EGYPT)

In the context of the Privatization Program of the Government of Egypt, the Egyptian General Organization for Tourism and Hotels (EGOTH) announces the sale of its stake in the Arab Company for Hotels and Tourism Investment (ACHTI). EGOTH's total stake in ACHTI is 18141 shares representing about 67.19% of the total outstanding common shares of ACHTI. The Commercial International Bank was appointed as the Financial Adviser in the sale of these shares.

THE COMPANY

The Arab Company for Hotels & Tourism Investment (ACHTI) is an Egyptian joint stock company established in 1979 under Law No. 43/1974 amended by Law No. 230/1989. The company is engaged in conducting investments in hotels and touristic projects in Egypt. ACHTI is the owner of the Sheraton Luxor Hotel (a 5 star hotel located in Luxor city with a total room capacity of 298 rooms), Novotel Cairo Airport Hotel (a 4 star hotel located in Heliopolis, Cairo Airport area with a total room capacity of 215 rooms), Merri Raa boat (a floating restaurant leased to Sheraton Luxor) and other investments.

SALE PROCEDURES

The Shares of the company will be sold through a competitive bidding procedure according to the terms and conditions of the bid documents and subject to prevailing Egyptian laws and regulations. Bidders may obtain from the Financial Adviser's office a complete set of bid documents outlining the bidding procedures and requirements and including detailed information on the company. Bids for the entire amount of offered shares as well as partial bids will be accepted subject to a minimum bid of 1350 shares.

Bids will be accepted until noon on Thursday, September 30, 1993.

Bidders interested in the contemplated transaction should address all their requests to:

COMMERCIAL INTERNATIONAL BANK (EGYPT) S.A.E.
Mr Adel El Labban
General Manager & Board Member
Nile Tower 21/23 Giza Street
Giza, Egypt
Tel: (202) 348 1797 Fax: (202) 570 2691 or 570 3172

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The Vancouver Port Corporation will lease the entire site to a single developer or consortium capable of developing the project within the broad policies and plans presently being established by the Port Corporation and the City of Vancouver.

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Pacific Centre
777 Dunsmuir Street
Vancouver, BC, Canada V7Y 1K3
Attention: John Zaytsoff or Margaret Hyde

Tel: (604) 691-3000
Fax: (604) 691-3031

Expression of Interest should be in the possession of KPMG Peat Marwick Thorne by September 7, 1993.

PORT

*\$CDN 1,250 refundable on submission of proposal or return of the information package.

CONTRACTS & TENDERS

ALBANIA CRITICAL IMPORTS PROJECT
AMENDMENT TO INVITATION TO BID

IDA Credit 2404 - alb Contract Ref: MO/148/93 and MA/113/93

Regarding our advertisement in the Financial Times of July 22nd 1993 inviting bids for the supply of PHARMACEUTICALS FOR HUMAN USE, our ref. MO/148/93; and VETERINARY DRUGS, our ref. *MA/113/93; we wish to inform all interested suppliers of the* postponement of the deadlines for bid submissions for MO/148/93 from September 9th 1993 to September 23rd 1993, and for MA/113/93 from September *10th 1993 to September 20th* 1993.

Signed: Agim Hado, Director, *Project Implementation Unit*

BUSINESSES FOR SALE

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By Order of the Administrative Receiver
D. Nisbet Esq. Bsc., M.I.P.A., M.S.P.I.

Re: HOPE LIMITED

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MANAGEMENT

EUROMANAGERS TO WATCH

A literary union

Martin Mulligan examines how the fledgling Hodder Headline is coping with post-merger uncertainty

A merger's aftermath is a tense time in any industry and nowhere more so than in the volatile world of book publishing. When the merged firms represent two very different kinds of publishing, the friction can be intense.

Tim Hely Hutchinson, group chief executive of the new-born Hodder Headline, should be keenly aware of the dangers he faces. More than a decade ago Robert Maxwell headhunted him to help restore order to the industrial chaos after the merger of the aggressive, young Futura paperbacks and the established, hard-cover house Macdonald. A bitter staff dispute about redundancies at Macdonald lasted four months and £1.5m was lost in the year before Hely Hutchinson took charge. When he left in 1986 the company was again in profit.

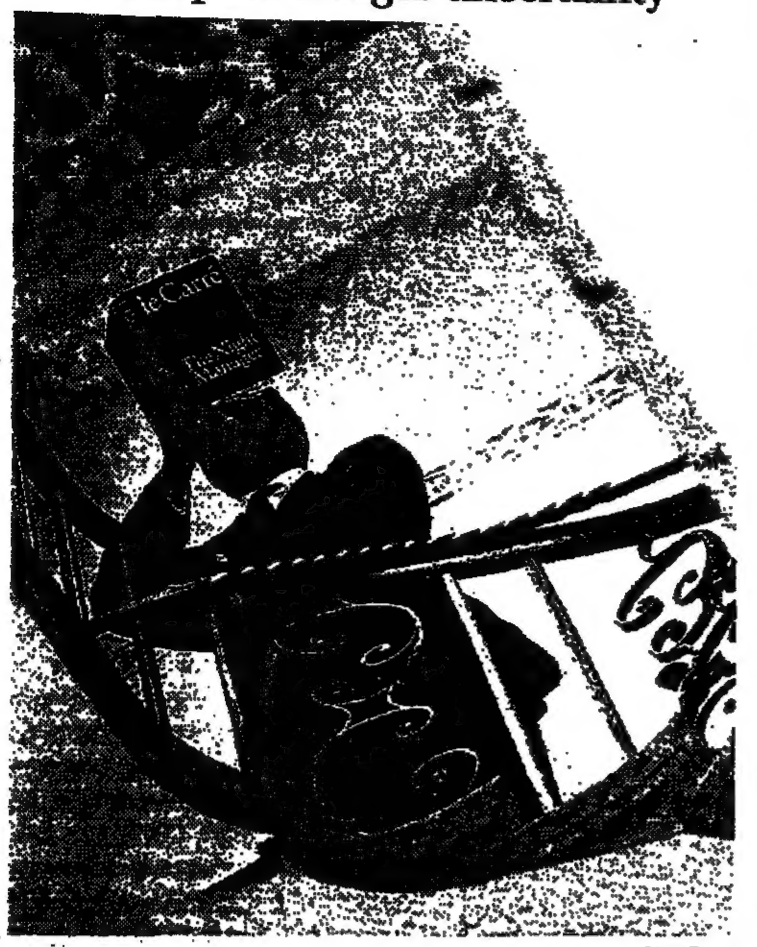
Today, however, he is facing an arguably greater challenge with the merger of his ambitious young company Headline and the venerable, privately-owned Hodder & Stoughton, which has created the fifth largest British publishing group.

Hely Hutchinson's career at 39 resembles that of an executive character from a fast-paced thriller on his own Headline list. He is single and drives a silver Alfa Romeo. He is descended from Irish aristocracy – the family seat is in County Tipperary. The son of the Earl of Donoughmore, Eton and Oxford educated, his background blends a colourful cocktail of romantic appeal and success that feature writers have detailed *ad nauseam*.

The years spent working in Maxwell's shadow provide a rich source of anecdotes and questions. How, for instance, did he thwart Maxwell's regular attempts to turn Macdonald into his own personal publishing house? Hely Hutchinson confirms that he stalled Maxwell's pet projects by turning a blind eye to the telescope, encouraging the chief quietly to abandon his craziest schemes. "I had two jobs – running Macdonald and running a relationship with Maxwell," he says.

His ambition for Headline – the firm he founded with venture capital and the expertise of his colleagues Sian Thomas and Sue Fletcher in 1986 – was evident from the start. "Headline was always the platform to do something substantial; it was never going to be just a niche player," he says.

A profit-driven, popular consumer publisher from the outset – as you might expect from the publisher of *Follies of the Flesh*, *The Hello! Cookbook* and *Buddy Holly is Alive and Well on Ganymede* – Headline was never going to fit the traditional British publishing mould. Hodder, by contrast, represents just that: a respected family firm founded in 1868 with an evangelical purpose, boasting an established educational division, and a distinguished backlist which includes Le Carre, Enid Blyton and the Bible.



Colin Beere

Merger by the book: Tim Hely Hutchinson does not anticipate any culture clash

Hely Hutchinson has a vision of "a conglomerate with soul". What he has on his hands for the moment are two very recently separate publishing entities and editors on each side who start from different publishing assumptions. It will take undoubted energy and diplomacy to co-ordinate them without mishap.

He plays down the merger's possible hazards. "I do not see that there will be any culture clash, especially as the lists differ so," he says. Nor is he uneasy at the expansion from 170 to more than 600 staff.

His advice to managers in the midst of merger is: act swiftly. "There are inevitable fears, uncertainty and unhappiness in the early days of a merger. I intend to get these out of the way as quickly as possible." He regards "bottlenecking" or vacillating about decisions as the worst sin a manager can commit.

He is clearly uncomfortable though when it comes to discussing the ultimate size of Hodder Headline. "The immediate thrusts of the merger will be to reduce costs and simultaneously to stimulate growth in the editorial departments, as Hodder & Stoughton has been starved of resources during the past few years," he says, quickly adding: "No one needs to feel threatened. I don't recognise any differences between people as to their origins within the group. Everyone within the group now is Hodder Headline: it doesn't matter where they came from. No division is for sale."

So far, 72 jobs have gone, two-thirds falling on the administrative side of the business. A relocation will follow next spring when Hodder's old distribution centre near Sevenoaks in Kent is closed, affecting about 150 people. Headline's distribution company, Bookpoint, in Abingdon, Berkshire, will be expanded and 70 people taken on. Hely Hutchinson says that with these measures the "major UK job saving programme" will be complete.

The need to safeguard Headline's entrepreneurial spirit which has brought it so far – from a share price of 87.55 when it came to market in April 1991 to today's 355, and figuring frequently in the bestseller lists with Dean Koontz's supernatural thrillers and Ellis Peters' medieval whodunnits – ranks high on his list of priorities.

Hodder Headline will comprise autonomous sales teams for 10 separate lists, able in theory to react more quickly to perceived openings in the market. Each unit will be headed by its own managing director. Martin Neild, former key accounts director of Pan Macmillan, is to run fiction and non-fiction.

Hely Hutchinson explains: "A publisher must be good at buying *and* at selling. Selling books is not like selling socks or shirts; the judgments require more subtlety. The industry is relatively short of all-rounders who are competent to buy and sell." His conclusion is that the all-rounders heading his divisions should be free to trust their publishing intuitions and, crucially, to remain sensitive to feedback from retailers.

Is this dream of a versatile publishing giant, formed of such heterogeneous units and guaranteeing quality at the same time as profits, truly attainable? Hely Hutchinson's growing number of fans insist he will be able to carry it off. His progress across the Hodder Headline tightrope will be watched with industry-wide fascination.

CHRISTOPHER LORENZ

Tailoring offices to more modest times

Jacques Attali would not have believed his eyes. Nor, for that matter, would the fiercest critics of his free-spending antics at the European Bank for Reconstruction and Development. Even my humble taxi driver and I could scarcely credit it. After 10 minutes of searching up and down a Swiss city street, full of solid, multi-storey stone offices, we found the headquarters of the £1.7bn business we were seeking: an unassuming timber block which we had passed several times.

The single-storey building was more reminiscent of a British post-war austerity "prefab" or a Nissen hut than the base of a thrusting worldwide business. At best, it resembled a works canteen, or a cricket pavilion.

Inside, all was creaky floors and dark linoleum. Even the boss's office, with its simple desk, table and chairs, was graced only by a warm oriental carpet.

To a British eye, accustomed to all the marble, glitz and soaring atria with which corporate offices have been embroidered under American influence over the past 15 years, it certainly looked out of place. But could – or should – it be the shape of things to come?

In a literal sense, obviously not: the 40-year-old building has worn well, but is less functional than it looks: its long corridors and inflexible partitions would impede the pattern of shifting group-work needed in most modern organisations. On the sweltering day of my visit, its lack of proper ventilation was annoying. And if it were built today, its poor "plot" ratio (office space to site area) would give any modern developer a heart attack.

Yet it stands for a principle that, with the glaring exception of banking, shows signs of returning to the very status-conscious Anglo-Saxon corporate world: that head-office buildings should not only be cost-effective, but should also reflect the individual character of the organisations within them, rather than some glossy theatrical norm. Since the nature of most organisations is changing, so should that of their HQs.

It is a coincidence, but a most appropriate one, that the Swiss business I visited is in the midst of "re-engineering" its various processes, in common with many other European and American companies. In such organisations, processes which span such activities as order processing and logistics are being redesigned from scratch. Each unnecessary step is being stripped out.

The same criterion should be applied to head offices. For both cost and psychological reasons, it is inappropriate for a "re-engineered" organisation to continue to occupy an HQ equipped with superfluous but expensive bells, whistles and decorations. If it really wants to remain lean and ultra-productive, and not re-accumulate fat, it must signal that intention to its employees at all levels, especially to its managers.

Since the nature of most organisations is changing, so should that of their headquarters

This does not mean every company must move into Nissen huts, nor that we should return to the awful uniformity – and functional inadequacy – of the grey, faceless 1960s office block. Good designers can do far better than that.

All around the world there are plenty of restrained, head-office buildings. In Japan some, like that of Brother, resemble little more than distribution depots. Many other companies have also resisted the temptation to follow most of their country's electronics and carmakers into ritzy, American-style corporate palaces.

In the west, various HQs epitomise a form of understated grace which is worthy of any multinational anywhere: the most impressive are low-rise structures in Silicon Valley, such as those of Intel and Hewlett-Packard. In a different physical and development environment, the converted mills of several of their New England rivals, notably Digital, rate equally highly. European instances include Electrolux's sparse Stockholm HQ, a former factory. Its conversion was done with none of the interior ostentation of several recent refurbishments of well-known London buildings, including the former HQ of this newspaper.

Whether a rehabilitated building is low or high rise, and was formerly industrial or commercial, the process of stripping out the old interior and replacing it with lean, purpose-designed office facilities, is obviously a form of "re-engineering". But this does not mean that no re-engineered organisation should build anew; it is arguable that new-build is closer than rehab to the "redesign from scratch" principle of re-engineering.

Whether they redesign, or build from scratch, organisations of every kind should tailor their buildings to their peculiar requirements, both internal and external. In doing so, they must consider their employees' current – and future – working patterns, motivation and productivity. And they must weigh carefully the sort of external image they wish to project into a cost-conscious world.

Organisations whose fortunes are based largely on image-creation, such as advertising agencies, will continue to require a fair degree of opulence and show in their buildings. But this does not necessarily entail vast cost; ingenuity is more important. Even a company which wants to broadcast its high-tech glamour by using the latest building technology need not spend the earth if it has a good architect.

Most other types of organisation, should rein back their glitz and glamour by several degrees at least. They cannot do so instantly, since neither refurbishment nor new-build is an economic proposition for most of them in the current state of the office market.

But, as more and more scale down their head offices for strategic or cost reasons, and need more modest-sized accommodation as a result, it will be instructive to see which of them tone down their opulence as well, and what character they create in its place.

Shareholders and competitors, as well as re-engineering and design consultants, should monitor developments closely.

THE PROPERTY MARKET

Vanessa Houlder on the recent sharp upturn in the UK

A ride on the rollercoaster of recovery

The UK property market's recovery is gathering pace. A spate of better-than-expected news on the economy, together with a sea change in sentiment, is fuelling a far stronger recovery than forecasters expected at the start of the year.

Since the spring, the amount of money waiting to be invested in the property market has built up rapidly. Some £7bn of money had been earmarked for the property sector, according to Hillier Parker, chartered surveyors.

James Capel, a broker, is now expecting capital values to rise by 10 per cent this year, and 10 per cent in 1994. "The investment market is hotter than at any time since the late 1970s," says Mr Alan Carter of its property team.

Some of this enthusiasm is shared by the stock market. On Wednesday when the FT-SE 100 index broke through the 3,000 mark, property was the best performing sector of the market with a 2.2 per cent rise.

The value of property shares has nearly doubled in the past year, as investors look forward to an improvement in the underlying market. The property sector is now on a premium of 10 per cent to estimated net asset value, according to brokers UBS. That compares with a 10 year average discount of 23.7 per cent.

Not everyone is convinced that the enthusiasm for property is justified. The market is overheating in the view of some participants, such as Mr Clive Lewis, president of the Royal Institution of Chartered Surveyors.

Certainly, there is little evidence that the end of the recession has had an impact on tenant demand. Rents are still falling: Richard Ellis, a firm of surveyors, estimates that they have fallen by 7.3 per cent this year. Improvement in tenant demand is still extremely weak, not least because many occupiers still have empty space in their buildings.

Some observers also feel disconcerted that property appears to be bucking its traditional role of being one of the last sectors of the economy to respond to an upturn in the economic cycle.

But this point begs the question of how much the current behaviour of the property sector has in common with previous cycles.

In some respects, there are strong parallels. Consider, for instance, this assessment of the market in the FT's Lex column in February 1975. With the exception of the quantity of bank debt overhanging the market, the comment would have been valid 18 years later:

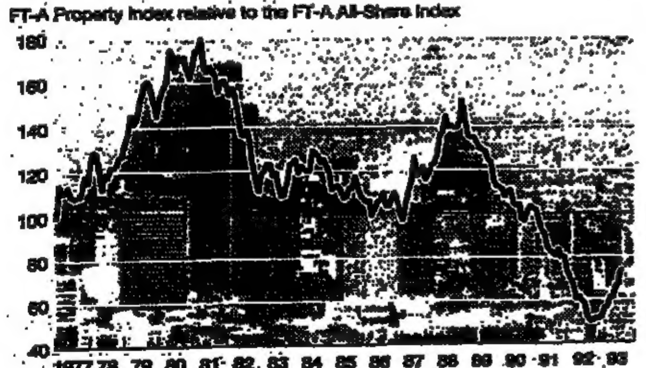
"The immediate problem, however, is establishing a new level of values, given the unsettling influences of the amount of property for sale, the £2.8bn of banking lending to the property sector still to be unwound, the recessionary threat to rents and the uncertainties about the government's detailed land proposals.

"But the longer-term bull arguments remain – property's record as an inflation hedge, the weight of institutional money in short-term assets and the impact of the current cutback on new development on the supply of space in two or three years' time."

But the differences between these periods are possibly more striking than the similarities. Consider, for instance, property's relationship with gilts and equities, which is entirely different from the 1970s. Property yields at about 9 per cent are now higher than gilt yields and far higher than equity yields, which stand at 3.7 per cent. In the 1970s, by contrast, property yields were close to equity yields and far below gilt yields.

Property: on the rebound

FT-A Property Index relative to the FT-A All-Share Index



Source: Datastream

The consequence of this changed relationship is that property responds far more readily to changes in the bond market. "For the first time in 30 years, property has bond characteristics, rather than equity characteristics," says Mr David Tunstall of Smith New Court.

As a result, the current bull market in bonds is forcing down property yields. Hillier Parker this week said that yields had dropped by a further 0.1 percentage points for August, pushing the All Property average yield down to 9 per cent. In some sectors where reasonable rental growth is expected, yields have dropped by 1-1.5 points over the last six months, it says.

According to Hillier Parker, this is the first improvement in yields since August 1988, when yields stood at 7.2 per cent. It believes the improvement in yields is set to continue. "With renewed interest, particularly from institutional investors, the market is now gradually moving from one of few buyers and many potential vendors of a year ago, to many more buyers than sellers," it says.

Some agents are forecasting an extremely rapid fall in yields. Savills, a firm of chartered surveyors, believes that yields will move by an average of 2 percentage points by the end of the year. It expects retail warehouse yields to be 7 per cent, office yields to fall below 7.5 per cent, prime retail yields to drop to 5-5¼ per cent and industrial yields to fall to 8 per cent.

Can the market maintain this pace? Some analysts believe the unexpected strength of the recovery this year means next year's growth will be slower than anticipated.

In the view of Mr Chris Turner of BZW, the improvement in values will slow down next year. If falling gilt yields cease to bolster the market, the continued progress in property values will depend on the outlook for rental growth, which is still uncertain.

Most surveyors do not expect rents to begin to grow until the second half of 1994. But it is hard to generalise. Much depends on the economic performance of different cities and the balance of supply and demand. A recent report by Chesterton showed that vacancy rates for new or refurbished office property ranges from 0.7 per cent in Manchester to 8.4 per cent in the City of London and 38 per cent in Docklands. London's vacancy rate stands at 17.8 per cent, while outside London, the average city vacancy rate is 11.5 per cent.

Overall, about 44m sq ft of office floorspace is available to let in the UK's largest 16 cities, representing 15.3 per cent of their total stock. New and refurbished floorspace accounts for over 40 per cent of the total available space. As demand improves, this space will become more attractive to potential occupiers at the expense of the secondary market. "Poor quality secondary properties, or those in fringe and unproven locations, may be suitable only for redevelopment," it says.

The question of how fast rental growth will return depends on several factors, such as the amount of second-hand space that is taken out of the market for redevelopment and the speed of the recovery of the development market.

More than anything else, however, the outlook for rental growth depends on the robustness of the economy. The UK needs a period of low interest rates and strong growth, if the recovery in the property market is to keep its momentum.

TECHNOLOGY

Training grabs the attention

Many corporate videos are synonymous with the corporate snooze: 20 minutes of largely irrelevant ramblings which have to be tolerated in order to glean one or two pieces of useful information. Many are already out of date just a few months after being produced.

The result? Many a corporate video quickly ends up with the last batch of company slides – gathering dust on the shelf.

"There must be a minimum of 500,000 businesses that have produced audio-visual material in the past four to five years," says Mike Smith, managing director of Bradford-based YPL Communications. "I bet 490,000 of them are not being used."

Smith's company specialises in training material and corporate presentations on the latest electronic media: CD-Rom and Laserdisc.

The Laserdisc system he promotes, under the acronym of Bra (Barcode random access), allocates a barcode number to each section of the presentation on the disc. By clicking a light pen over the barcode in the accompanying catalogue the presentation jumps to the relevant section. Usually the images appear on a television screen, although the Laserdisc player can be attached to a projector for larger audiences.

"Bra enables you to produce the presentation from scratch or to take old linear videos and put them into the system and provide them with a directory," says Smith. "Bra is not particularly good if you need intelligence. CD-I is probably a better system for that."

One Laserdisc can incorporate 36 minutes of video, 54,000 slides or a combination of the two. Each disc has a dual soundtrack – one could be in a foreign language to promote overseas sales.

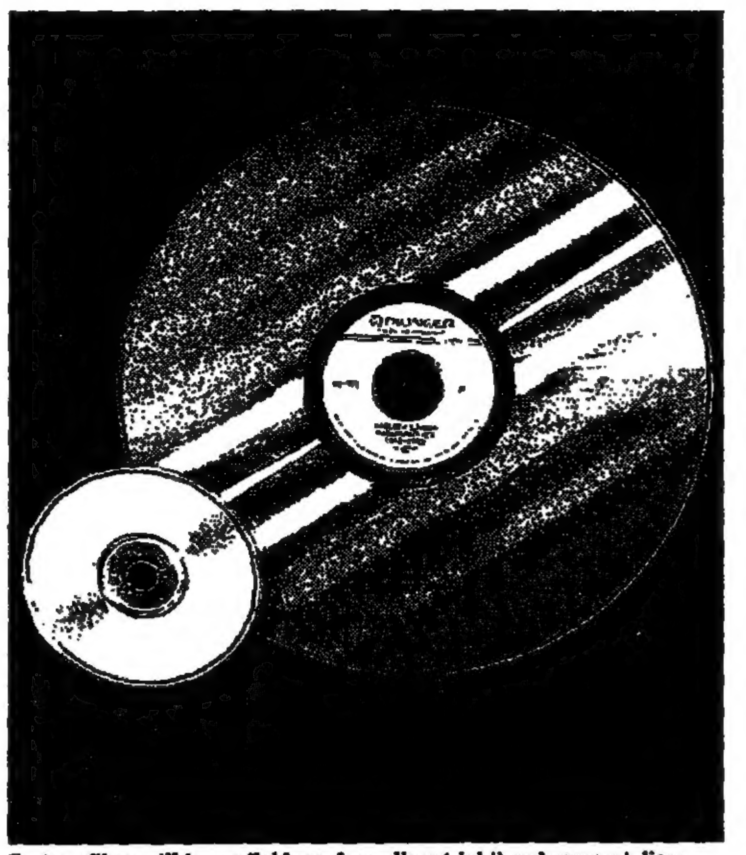
One of YPL's most prominent customers is the Patent Office, for which YPL has installed 170 systems. The disc is used in conjunction with a work book to explain how the patent system works.

Smith believes that at a cost of under £10,000 to put ageing slides and video on disc, many small businesses are overlooking the chance to make substantial business impact.

Della Bradshaw

Philips and Pioneer are competing to bring Hollywood to life in the living room, writes Della Bradshaw

Stars on a silver disc



Feature films will be available on Laserdiscs (right) and compact discs

Even the most sedentary cinema-goer must once have had a sneaking desire to stand alongside Clint Eastwood as the showdown loomed or join Indiana Jones in an escape from marauding tribespeople. Playing out such fantasies on the television screen is also the dream of film makers and electronics companies. This autumn European consumers will be bombarded with the first stage in such dream fulfilment – feature films on a silvery disc.

In a £3m advertising campaign Philips is promoting full-length films on compact disc – the five-inch disc already widespread in the music and computer market. Ironically, they will be challenged by Japanese electronics company Pioneer, which is promoting in Europe the 12-inch Laserdiscs developed – and largely abandoned – by Philips over a decade ago.

Laserdisc is acknowledged as the superior product. "It's like a comparison between a hardback and a paperbook book," concedes Simon Turner, director of Philips Interactive Media Systems.

Laserdisc produces high-quality digital "surround" sound with broadcast picture quality, as the large disc size means the picture is not compressed. Philips' Digital Video, on the other hand, has to squash the pictures to get an entire film on to CD. For every one piece of data that is included on the disc another 129 are discarded. When the disc is played the eye does not notice the compression because the discarded data relates to parts of the screen that are not changing.

Only the moving parts of the film are updated, resulting in a picture quality which Philips claims is slightly superior to a VHS video. The accompanying sound is digital stereo, of a similar quality to that achieved on audio CD. Digital Video is the final piece in Philips' concept of CD-I (compact disc interactive) which combines digital images, sound and now video images for computer games, educational purposes and general entertainment.

Despite the inferior quality, says Turner, the five-inch disc is the one consumers identify with and want to buy. "It's not equivalent to Laserdisc, but that's of no interest to 95 per cent of the UK population who have never seen Laserdisc." Laserdisc, he concludes, is a niche market for the movie connoisseur.

At Pioneer, Guy Warren, senior manager of marketing and sales for Europe, begs to differ. Although the technology failed to grab the public imagination in the 1980s, when there were few recorded films available and the players were expensive, Laserdisc has since proven popular outside Europe. In Japan, one in 10 households has a player, and in the US 1m Laserdisc machines are in use. "This autumn will probably be a turning point for Laserdisc in Europe," predicts Warren. "There will be several blockbuster films released." They will included Basic Instinct, Chaplin and Universal Soldier. The Laserdisc players sell for £399, although a single film costs around £25. A feature film on Digital Video will cost less than $25 (£17).

In common with Digital Video, and unlike videocassettes, Laserdiscs are virtually indestructible, and the machines can play audio CDs as well. Warren believes the growing popularity of large-screen and projection television sets will fuel demand for these high-quality recordings.

In Europe, Pioneer plans to follow the route that established the technology in the US: it will buy the rights to blockbuster films and publish them on Laserdisc in the European Pal television format.

Neither Pioneer nor Philips see their products as a direct competitor for the VCR. In Japan there is now no market for audio CD players, only for Laserdisc ones, says Warren. Turner goes one step further. "Really we see CD-I as this box which produces many different values in the home. Games will be much better quality and there will be interactive films."

Much of Philips' bold advertising campaign will focus on persuading consumers that CD-I will bring together what used to be a plethora of distinct media. "What is interesting is that the traditional delineations in the publishing and broadcasting industries are disappearing," Turner says. "What CD-I is doing is mixing these up."

For Philips, CD-I forms the basis of a home entertainment system that combines computer games, digital audio, traditional linear movies and a combination of movie clips and computer animation. One scenario envisaged by Philips is the mixture of film footage and computer images – a chase scene from Star Wars, for example, where viewers ride alongside Luke Skywalker and control a space vehicle using a joystick on a CD-I console.

The attraction of such technology has not been lost on Pioneer. It has just launched Laseractive in the US and Japan and promises a European launch during 1994. Laseractive is a collaboration between Pioneer, Japanese electronics manufacturer NEC and games company Sega, and delivers interactive games and films similar to those on CD-I.

Pioneer is again pushing the superior quality of its product: the larger storage capacity of Laserdisc enables Laseractive to give an improved picture quality and superior computer images and interactive software. The company also believes the greater storage capacity of Laserdisc will enable the technology to compete with high-definition television, which has a far greater number of picture elements.

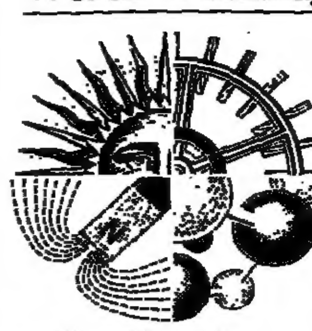
Philips counters by saying CD-I technology will have progressed by the middle of the decade, the earliest date by which HDTV will be available. Double density discs will be available using blue lasers, which can be focused more finely than today's red laser systems.

Warren also argues that on the home-movie front Laserdisc has a further advantage over CD-I in the run up to the Christmas buying season: the technology is well-proven and widely available.

This autumn Philips is selling a slot-in cartridge for £150 which will upgrade existing CD-I players, bought largely for games software, to enable them to play feature films and interactive games incorporating Digital Video. Not until early next year will the company launch a CD-I player with Digital Video included as a discrete unit. They will also sell a "black box" to convert audio CD players to play CD-I discs with Digital Video.

For the harassed parent who views such home entertainment systems as a threat to domestic peace and quiet there is one further frightening thought: both CD-I and Laseractive are designed to incorporate home karaoke systems.

Worth Watching · Della Bradshaw



Testing time for expectant mothers

A simple blood test, which could definitively inform expectant mothers whether their child has genetic abnormalities, is being developed by the Applied Imaging Corporation of Santa Clara, and the UK's Medical Research Council.

The only method of prenatal genetic screening in widespread use today is amniocentesis, an invasive procedure involving the removal of some of the amniotic fluid surrounding the foetus.

Recently it has become apparent that small numbers of the unborn child's cells enter the mother's bloodstream. The test being developed extracts these cells for genetic analysis. Researchers believe it will prove a less expensive and risky alternative to the amniocentesis test. Applied Imaging Corporation: US, 408 562 0250; UK, 091 516 0505.

Flying high with an ear to the ground

You may be flying at 30,000 feet, but the news need never be far away, writes Andrew Fisher.

At least, that is what Lufthansa, the German national airline, has in mind with its plan to keep passengers alert to the latest financial, political and other information.

Through its link-up with DPA, the German news agency, Lufthansa says it will become the world's first airline to beam up hourly news bulletins by satellite. The service will be on cabin screens in German and English during long-haul flights. Lufthansa: Germany, 069 6960.

A clean sweep for chips

As silicon chips get smaller, particles of dust on their surface can affect their performance. Washing the chips is difficult – traditional methods often leave tiny particles of dust behind. The cleaning process is also bad for the environment as it relies on chlorofluorocarbons (CFCs).

A small company in Bethesda, Maryland, has come up with an alternative way to clean silicon wafers which could solve both problems.

The Radiance process uses a laser to excite the particles so that they jump off the wafer's surface. A flow of gas then blows the particles away.

Radiance intends to charge a royalty for the use of the process. Radiance: US, 301 654 0309.

Notepad/notebook with the flip of a lid

A personal word processor with a traditional keyboard and a liquid crystal screen which accepts hand-written script has been launched in Japan by Sharp.

The WD-A770 has been designed with a "swing-top" lid: when the keyboard is used the machine sits open resembling a standard clam-shell notebook machine; when the user wants to write on the notepad the screen is pulled forward and laid on top of the keyboard, screen uppermost. Using a pen the screen is used like a notepad, for creating illustrations or for editing, or highlighting text.

Various thicknesses or modes of writing are built into the software. Sharp: Japan, 06 625 3007.

Beet takes a beating

An artificial sugar beet with built-in electronic sensors should give farmers plenty to chew over this harvest.

Every year farmers are vexed by the amount of beet that gets damaged during harvesting. As much as a third can be harmed by the harvesting machinery.

Help is at hand in the form of battery-powered sugar beet from Adas, the agricultural development service. It is thrown in with the ordinary beet and bumps through the harvester alongside it.

Electronic sensors, contained within a thin, carbon fibre shield and a coating of rubber, reveal where most damage occurs during the process. Adas: UK, 0525 860077.

PEOPLE

Rouse puts his toe in the water

Michael Rouse, who has spent the past 20 years at the Water Research Centre (WRc), has been headhunted as the next boss of the Drinking Water Inspectorate for England and Wales.

He succeeds Michael Healey, a Department of the Environment civil servant responsible for water quality in the run-up to water privatisation who became the first head when the inspectorate was created at the beginning of 1990.

Healey is now retiring at the age of 60.

Part of the DoE, the inspectorate, which has just 30 staff, monitors the quality of drinking water supplied by the privatised utilities – by audits rather than by independent testing – and can take enforcement action if legal requirements are not being met.

A mechanical engineer by training, Rouse, 53, has been chief executive of the WRc since 1984, presiding over the 1989 staff buy-out of the centre, which is now a private company, owned 57 per cent by staff and 43 per cent by the water companies.

He says he is attracted by the "public service element" of his next job, as well as by "the intellectual challenge" of influencing the debate in Brussels so that the EC as a whole comes out with realistic standards for water purity.

Before joining the WRc in 1974, Rouse had been at British Gas, working on various aspects of high pressure pipelines when gas was first discovered in the North Sea. From pipelines, it was but a small step to an interest in water, he explains.

Said at Aitken

Wafic Said, the Syrian-born arms dealer who was mentioned as a possible purchaser of the Observer newspaper earlier this year, has become a director of Aitken Hume International, the financial services group in which the Said Trust has a 31 per cent share. The other major shareholder, Lee Ming Tee of Hong Kong, has long been on the board.

Ziad Idilby, chairman and chief executive of Aitken Hume, says he was approached by the Trust which wanted to nominate a director. As to the timing of Said's appointment, he adds simply: "It is very difficult for the chairman to ask, hey, how come you want to be on the board?"

In May, the group sold its fund management group National Securities Research, leaving only a London and a Guernsey bank and a huge pile of cash. "It is time for the company to decide on its future direction," Idilby agrees.

Bodies politic

■ Judith Hunt, chief executive of Ealing borough council, London, will become chief executive of the LOCAL GOVERNMENT MANAGEMENT BOARD in October. Hunt, 48, replaces Michael Clarke who is leaving the LGMB to become Professor and head of the school of public policy at Birmingham University.

■ George Bain, principal of the London Business School, has been appointed an additional member of the SENIOR SALARIES REVIEW BODY, the renamed Top Salaries Review Body.

■ Michael Chamberlain, president of the Institute of Chartered Accountants in England and Wales, has been appointed a deputy chairman of the Financial Reporting Council until June 1994.

■ Lord Marlesford, formerly known as Mark Schreiber, a political consultant, farmer, and former lobby correspondent of The Economist, has been elected chairman of the COUNCIL FOR THE PROTECTION OF RURAL ENGLAND. He succeeds David Astor who held the post for 10 years.

■ Peter Baker, md of Rank Hovis, has been elected president of the NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS for a second year.

■ Clive Lewis, joint chairman of Erdman Lewis International, has been elected president of the ROYAL INSTITUTION OF CHARTERED SURVEYORS.

■ Veronica Lupton Hird, formerly communications director for the Girl Guides, has been appointed secretary/treasurer of The GUILD OF BRITISH NEWSPAPER EDITORS on the retirement of John Bradbury.

■ Clayton Brendish, executive chairman of Admiral, has been appointed a government adviser on six NEXT STEPS executive agencies.

McDonald: "enjoying problems"

Stuart McDonald, former joint chief executive of London & Edinburgh Trust, has been appointed non-executive chairman of Windsor, a small insurance broker which dominates the sports insurance market.

McDonald, 49, resigned from LET last September along with the Beckwith brothers, who founded the property group which was sold to Sweden's SPP for £491m at the peak of the UK property market in 1990.

Windsor, which has a stock market capitalisation of just over £6m, is recovering from a difficult period when its profits have been hit by a series of ill-conceived acquisitions and diversifications. The need to write down the value of a large property led the group to report a pre-tax loss of £1.9m in the half-year to end-March.

A new chief executive, Mike Eagles, was brought in from Citicorp two years ago, and the group has been looking for a new chairman to replace Stanley Cohen who has been doing the job on an interim basis.

McDonald, who first met John Beckwith when they worked as accountants at Arthur Andersen in the 1960s, spent 14 years with N.M. Rothschild before joining LET in 1985. Although he says that he has not been hired by Windsor for his property expertise, he continues to advise companies on property matters. In May he was appointed to the board of Brent Walker, the heavily indebted pubs and betting shop group. "I enjoy working for companies with problems rather than massive organisations which are plugging along doing well," he says.

Pop concert

U2 at Wembley

With pop music so obviously suffering a crisis of confidence it is comforting to find a band wholly committed to spectacle, drama, megalomania and pretension. Half way through his performance at Wembley Arena on Wednesday, Bono, the singer and driving force behind that principal prop of the Irish economy, U2, took time off to sort out Bosnia. His live screen link up with some cowed looking inhabitants of Sarajevo got prospects for peace no further than Lord Owen, but it showed where the man's heart is – so blatantly on his sleeve that it irritates beyond reason.

Not that it perturbs Bono. If Bosnia cannot accept the mediation of U2, why not turn his attention to Salman Rushdie. He phones him up, but that is just a blind. Rushdie is actually back stage and for a hug from Bono exposes himself before 50,000 people, so great is the power of a superstar.

On top of this canter through good causes U2 put on the most expensive and the most pleasurably stunning show that you are likely to see this side of the global recession. The stage is like some gigantic TV station, with vast screens to project images of everything from drumming Nazis to Martin Luther King. For no good reason three cars are suspended from the galleys, and there is a light show of such brilliance that sometimes the stage glows red like the Devil's kitchen, sometimes gleams white like the very portals of Heaven.

As if this were not enough, there is a subsidiary stage linked by a catwalk where the band perform acoustic songs from the new album, a belly dancer wafts through "She moves in mysterious ways", and a prone Bono is videoed by a young Argentinian girl who squats astride him for those vital close ups.

With so much to divert the eye the music hardly needs attention. In fact U2 stick very close to their standard repertoire, and are at their best belting out hits like "Streets have no name" as if they were any old rock and roll band. After all, they look like one; Bono dresses mainly in black leather and dark glasses, with a switch to Mephistophelean red, plus horns, for the finale, while guitarist, The Edge, seizes the one chance offered to the rest of the quartet and growls his way through his solo, "Numb".

U2 are seriously mega because they have fine control over their worthy songs and the confidence to play straight, give or take a massive stage crew and special effects of De Mille-ian proportions. Apart from the dancer there are no extra musicians, no backing singers. This is the band. They even manage to retain street cred and a right-on image while sending up their fans rotten in a sequence of video confessions taped by extrovert members of the audience, and leading the life of multi-millionaires. The cracks must be there but they do not show. The ZOO TV tour is pop as drama, pop as sensation, but U2 also make sure that the music is not completely forgotten. See it.

Antony Thorncroft

Driven through palaces

Patricia Morison makes a plea for more time to stand and stare

You love looking at great paintings. Should you then go to Buckingham Palace to see the Queen's pictures? Other things being equal, of course you should because the Picture Gallery is just wonderful. However, the decision whether or not to "do" Buckingham Palace must depend on the time available and sheer physical stamina. How physically uncomfortable can one be and still derive pleasure from art?

It could so easily be different, not just at Buckingham Palace but at cultural monuments everywhere, if only cultural tourism was not focused on the mass-experience. Although Buckingham Palace is mercifully not quite as popular as some had projected, there were still 6,000 visitors last Wednesday, which is a lot for a building not purpose-built as a museum.

You should expect to queue for between 60 and 90 minutes for your ticket; it is possible to have the whole thing over in a morning if you are near the front of the queue by around 8am. Luring you on is the thought of the Picture Gallery where this year there are some dozen splendid masterpieces; Guercino's "Libyan Sibyl", Guido Reni's sensual "Cleopatra", the utterly chaste Agatha Bas as portrayed by Rembrandt, Rubens's "Farm at Laeken" and "St George and the Dragon", together with works by de Hooch, Cuyp, and Claude Lorrain.

Other rooms have memorable paintings and some surprises, such as finding no less than three women artists: the Renaissance wonder Sophonisba da Anguissola; Angelica Kaufmann (her large German duchess has the Throne Room to herself); and a marble statue of Princess Louise made in 1877 by obscure Mary Thornycroft.

However, the Picture Gallery is the thing, perhaps above all for the chance to see together two of the most famous and haunting images of royalty ever made, Van Dyck's "Great Piece", Charles I with Henrietta Maria and the two eldest children, faces the great equestrian portrait of Charles and his riding master, M. de St Antoine. (The second, larger portrait of the king on a dun charger is in the National Gallery.)

These monumental paintings would be better seen from much further away, as the artist intended and as they were at one time displayed in the Van Dyck Room at Windsor Castle. Even so, it is marvellous to compare these two very different images of a doomed king. Royalists will find them the more poignant for being still within palace walls and just a stroll away from the Banqueting House where Charles's head was struck from his shoulders.

So far, so very good, but the drawback is that visitors have to move in one direction only. Anyone who wants to look properly must be for ever criss-crossing the gallery which is a wretched way to see paintings. They will permit no looping back for a last look, a particular hardship in the case of Rembrandt's small "Christ and Mary Magdalene at the Tomb", to my mind one of the loveliest things he ever did.

On a pragmatic view, the Queen's generosity in lending works from her vast collection – for example, to *The Queen's Pictures* at the National Gallery last year – lessens the urgency of going to the Palace. Both my favourite Rembrandt and "Agatha Bas" were widely seen in the 1991 Rembrandt show. The third terrific Rembrandt, "The Shipbuilder and his Wife", was shown at around the same period in the Queen's Gallery beside Buckingham Palace.

For 30 years, the Queen's Gallery has been making the royal collections accessible, although as a rule its shows are very little publicised. It is there that you will find Vermeer's "Lady at the Virginals" in an exhibition on George III and Consul Smith previously noticed on this page.

Even so, I hope that the Buckingham Palace visit will also become a regular feature of London's cultural resources, as the summer visit to the Palais du Roi is in Brussels. (Will public opinion prise open the Prince of Liechtenstein's collection at Vaduz Castle?) I would also like to see special access for people who are not interested to flow by, gazing open-mouthed at the mirrors and chandeliers, but want instead to concentrate on the art treasures.

Some country houses with important art collections do offer "connoisseurs' trips", although not nearly enough. They do at Boughton House in Northamptonshire, a palatial building of exceptional beauty which is only open on August afternoons. The intact 17th-century panelled State Rooms with their tapestries are protected by being shown as part of the longer tour.

I see the royal palaces as a classic example of the need to offer the public a split-level, sheep-and-goats kind of cultural tourism. Separating the serious from the faintly curious visitor preserves the quality of the experience and should become part of the strategy for protecting prime cultural destinations while actually increasing public access and awareness.

Unfortunately, the sole object of the people who run many tourist venues is to herd visitors round in droves, adding on so-called "attractions" which in reality amount to force-feeding us gimmicky, patronising, low-grade pap.

How great an improvement it would be if, instead, every great castle, palace, or great house offered a choice of experience. Whether at Versailles, Wilton House or Castle Howard, there ought to be a "happy hour". Enthusiasts, who may have hankered to see a place for years, could be assured of the peace to look, savour, and commit the experience to memory.

Of course, the motive for opening Buckingham Palace is financial and not philanthropic. It might reduce the takings to lay on something special for people with a serious interest, even though they would be asked to pay sweetly for the privilege. (I see no reason why a private view of a great art collection should not cost as much as a good seat at the opera.) However, there is also the matter of popularity. It is surely no bad investment if in future years a trip to the palace could be made more appealing to the Queen's more educated subjects.

Masterpiece: 'Cleopatra with the Asp' by Guido Reni at Buckingham Palace

Theatre

The Tempest

The RSC's new production at Stratford-upon-Avon, *The Tempest*, ends with a raspberry. Alec McCowen's Prospero is finally granting freedom to the spirit Ariel. "Fare thou well," he says in tones that include gratitude and affection. We think that only the epilogue is to come. Then Simon Russell Beale's Ariel responds to the farewell by spitting copiously on Prospero's face before marching off.

What this incident has to do with the rest of the production is exceedingly unclear. Until the raspberry director Sam Mendes has delivered an interpretation that is almost entirely cerebral. This is a *Tempest* that smacks excessively of English literary criticism. All the studies of what Shakespeare might have meant by the difference between nature, as represented by Caliban, and nurture, as it is portrayed by Prospero, have been read and digested. It is one of the most hierarchically structured productions of the play that you are likely to see.

David Troughton's Caliban is not a beast in the literal sense. His physical form is entirely human, but he is a being of little brain. He looks and moves like a not very good, retarded Japanese wrestler. Prospero personifies learning and the belated coming of wisdom and even forgiveness. Frequently he appears at the top of one of those very tall pairs of library steps.

The rest of the characters are somewhere in the middle. The real villains in the Mendes view are Stephano and Trinculo, normally described as a drunken butler and a jester. Here Stephano is shown as a pseudo-toff with a see-through upper-class accent. Trinculo carries a ventriloquist's dummy. The performances, by Mark Lockyer as Stephano especially, are very fine, but it seems unfair to blame them for all the ills that flesh can get up to. There are, after all, plenty of genuine villains around, such as the lot who deposed Prospero as the Duke of Milan in the first place.

The latter do not get much of a look in. Ariel does, and it was a striking decision to cast a man who admits he looks as if he was born to play Caliban in this role. Russell Beale is very good; he always is. He is dressed in one of those Chinese tunics that suggests he belongs to the party machine. He struts about like an obedient, if reluctant military servant, but one does wonder if that final venomous spitting is not a hint that he would have been happier playing the beast.

The trouble with trying to impose a hierarchical, ordered vision on *The Tempest* is that ultimately it does not work. The play is full of mysteries, just as the isle is full of noises, but they are not noises that can be easily explained. There ought to be a lot of fun in it, but unless you count the rather cruel humour of the Trinculo-Stephano-Caliban scene, there is no fun here, not even the element of surprise. There is not much romance either. Ferdinand, played by Mark Lewis Jones, is a plodding, if amiable dolt, and there is no sign that Sarah Woodward's Miranda has benefited from all those years of learned tutorials with her father. When she sees a collection of real people at the end and comments "How beauteous mankind is", she sounds as if she is setting off to be a coquette.

Still, you should not let such criticisms deter you from going. Until the final scene. I found the direction riveting throughout. There is also the perverse pleasure of being irritated at the same time.

Malcolm Rutherford

Alistair Muir

Simon Russell Beale and Alec McCowen

Promenade concerts/**Max Loppert**

Stravinsky and Szymanowski

This 99th Proms season at the Albert Hall may display a more budget-conscious style of design than we have witnessed in recent years (with, for instance, fewer top-class foreign orchestras and "name" soloists in the schedule). All the same, plenty of choice things have been collated in it – programmes put together with imagination and flair, devised to profit equally from the BBC's amplitude of resources and the Albert Hall's vastness of size.

Two successive concerts earlier in the week made the point in a way to inspire both gratitude and the special pleasure that only a "characteristic" Proms concert can provide. Both employed large choirs – which, in these penny-pinched days, is fast becoming a sign of wild profligacy – alongside large orchestras to create the sort of musical canvas ideally exhibited in this particular auditorium.

Stravinsky's *Persephone*, given on Wednesday by the BBC Singers, Symphony Orchestra and Chorus, and the (excellent) New London Children's Choir under David Atherton, almost always affords a wonderful Proms experience: a work full of potential awkwardnesses in other contexts which in this one radiates an unstrained serenity and wholeness.

The 1934 *mélodrame* for speaker-dancer, tenor, choruses and orchestra is a hybrid about which in later years the composer himself came to express strong reservations – not just over the quality of Andre Gide's verse (which he variously described as "eau distillé" or "vers de caramel") but over the basic feasibility of marrying spoken and musical material to each other at all, let alone to dance. (In this performance, because of the monochrome, shallow-toned delivery – uncomfortably amplified – of the speaker, Laurence Bouvard, the sense of Stravinsky's reservation was underlined rather more forcefully than it need be.)

In the concert hall we lose any embodiment of the physical, graphic quality that was Stravinsky's peculiar musical gift. What we gain – or at least we do in a performance as authoritative, fluent and concentrated as Atherton's – is an indelible impression of the score's unique beauty. This may be most French-accented of Stravinsky's neo-Classical masterpieces, with textures and phrases of a Gounod-esque limpidity and sweetness, with outpouring of arias and choral setpieces unlike anything else in the composer's oeuvre; but, spread across the Albert Hall spaces, and sustained upon distinct blending of timbres and precise rhythmic currents, its ceremonial aspects develop an almost Russian Orthodox ritualised grandeur – which shows *Persephone* to be at once a detour and a milestone on Stravinsky's epic journey.

The previous evening, it had been the turn of the Philharmonia Orchestra and Chorus, conducted by Claus Peter Flor, to make their single appearance at the Proms, and – with Jadwiga Gadulanka as soprano soloist – to come together for a rapturous account of Szymanowski's Third Symphony, "Song of the Night" as concert-closer. The setting (in Polish translation) of poems by the 13th century Persian mystic Rumi is one of the intoxicating creations of 20th-century music – shimmering, swooning, sensuous in all its combinations – and it was here floated across to the audience in tones of ravishing lustre. Even this audience-member, who normally finds that a little of these particular ecstasies goes a long way, was kept spellbound.

★

In my review earlier this week of the Bath and Wessex Opera performances, I misnamed the producer of *The Turn of the Screw*. She is Olivia, not Paula, Fuchs. Apologies.

Dance/**Clement Crisp**

Love Lessons 1993

Prague Festival Ballet is a small group of classically trained dancers – they are members of companies at the Vienna Volksoper, in Brno and Prague – who unite for occasional performances under their rather grandiose title. The troupe's very existence serves as some indication of the quest in Eastern Europe for free (and free-enterprise) artistic ventures. They look, inevitably, to the West for examples.

What shackled creativity in the unhappy past was clogged socialist realism – Soviet-style – or, rather curiously, ill-digested Béjart. The percolation of any fresher dance ideas has been slow, and hampered by few opportunities to see and absorb innovative Western work. So the concept of "modern" ballet is often a matter of emotion rather than step: the choreographic adventures we accept as inevitable are largely unknown. Angst rather than abstraction is the norm, and an out-of-date vocabulary is burdened with themes and messages it cannot sustain in movement.

This Prague troupe – returning to London after a brief visit last year – is eager with good intentions, but sadly limited in ways of expressing them. Of three pieces on view on Wednesday, one, *Silent Whispers*, was devoted to folk-song and dance, and was quaint to a point far out of sight. Some of its Moravian folk-tunes were fascinating; the dance, by David Slobaspycky] was not. The two other offerings – Mr Slobaspyckyj's *Love Lessons* and Alice Necsea's *Serenade* – were lethargic. Palm Court music for the first (including the tango *Jealousy*) received Palm Court dancing, ineffably winsome and distinctly unchallenging. Miss Necsea's view of a serenade by the distinguished Slovak composer Eugen Suchon was no less relaxed in its demands: the dancers behaved as if it were impolite to sweat in public.

Plotless dance of this kind – which invokes in programme notes the name of Balanchine – should take heed of Mr B's question to a sluggish dancer in class: "What are you saving yourself for?" The motto and, I believe, the duty for Western ballet is "Go East", to help dance there find a way into the latter half of our century.

Queen Elizabeth Hall. Prague Festival Ballet's visit sponsored by Price Waterhouse and CSA Czechoslovak Airlines.

INTERNATIONAL

ARTS GUIDE

A major survey of 20th century American art goes on show at the Royal Academy of Arts in London next month, highlighting the development of American painting and sculpture from the Armory Show in 1913 to the present day. The exhibition, which comes to London from Berlin, comprises more than 200 works by 60 artists.

The first section focuses on major artists associated with the Show and the early modern movement in America, including Marsden Hartley, Georgia O'Keeffe and Edward Hopper. Within this section are works by Marcel Duchamp, who played a crucial role in the development of American art, as well as Man Ray, Alexander Calder and Joseph Cornell.

The exhibition goes on to show how abstract expressionism has had a determining influence on art in the second half of this century. The principal rooms of the Royal Academy will be devoted to artists who established the New York School of the 1940s, including Arshile Gorky, Jackson Pollock, Willem de Kooning, Mark Rothko and Clyfford Still. Sculpture by David Smith will also be featured.

The next section focuses on Jasper Johns and Robert Rauschenberg, who heralded Pop Art – represented by key works of Andy Warhol, Roy Lichtenstein, Claes Oldenburg, Cy Twombly and Frank Stella. The final section reflects developments over the past 25 years – starting with minimal art and the various reactions to it. The exhibition runs from September 16 to December 12.

Other autumn highlights include an exhibition of 50 new works by Lucien Freud at Whitechapel Art Gallery (Sep 10-Nov 21) and a Jean Nouvel show at the Institute of Contemporary Arts (Sep 11-Oct 25).

■ EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum The Potato Eaters. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. Daily
Rijksmuseum Rembrandt in a new light. Ends Nov 1. Closed Mon

ANTWERP
Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger. Ends Dec 31. Closed Mon
Hessen House Story of a Metropolis: a portrait of Antwerp's golden age in the 16th and 17th centuries. Ends Oct 10. Closed Mon
Bouwcentrum Antwerp and the World Fairs 1885, 1894, 1930. Ends Aug 31. Daily
Onze Lieve Vrouwekathedral Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily

BARCELONA
Fundacio Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon

BARI
Castello Svevo Corado Giaquinto. Ends Sep 5

BERLIN
Deutsches Historisches Museum Russian Photography 1840-1940. Ends Aug 31. Closed Wed
Neue Nationalgalerie Beyeler Collection: an outstanding private Swiss collection of paintings by Picasso, Matisse, Klee and other early 20th century artists. Ends Sep 12. Closed Mon
Alte Nationalgalerie Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues

BONN
Kunst- und Ausstellungshalle The Desire to See. Ends Oct 10. Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon

CHICAGO
Art Institute The Art of Holy Russia. Ends Sep 15. Daily

COLOGNE
Josef-Haubrich-Kunsthalle Anton Räderscheid (1892-1970): retrospective of the Cologne painter who fell foul of the Nazis. Ends Aug 29. Daily

DIJON
Musée des Beaux-Arts The Golden Age of Dutch and Flemish Paintings, selected from Catherine the Great's collections in the St Petersburg Hermitage. Ends Sep 27. Closed Tues (Palais des Ducs de Bourgogne)

DRESDEN
Albertinum Egyptian Antiquities. Ends next July. Closed Thurs
Zwinger 18th century Chinese pink porcelain from Dresden collections. Ends Sep 22. Closed Fri

EDINBURGH
National Gallery of Scotland Holbein and the Court of Henry VIII. Ends Sep 26. Daily
Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde. Ends Sep 5. Daily
Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present. Ends Sep 12. Daily
Scottish National Portrait Gallery Phoebe Anna Traquair (1852-1936): paintings, embroideries, illuminated manuscripts and decorative enamelwork. Ends Nov 7. Photographing Children. Ends Oct 3. Daily
City Art Centre The Waking Dream: only British showing of the privately-owned Gilman collection of photographs, charting the development of photography from 1839 to 1939. Ends Oct 2. Daily

ESSEN
Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg Hermitage and Moscow Pushkin Museums. Ends Oct 31. Closed Mon

FLORENCE
Casa Buonarroti Michelangelo: 18 masterpieces. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31

FRANKFURT
Schirn Kunsthalle Eduardo Chillida (b1924): 100 sculptures and 60 works on paper by the Basque artist. Ends Sep 5. Antoni Tapies (b1923): 60 paintings and 50 drawings by the Catalan painter. Ends Sep 5. Daily

GENEVA
Cabinet des Estampes Goya and Rembrandt. Ends Sep 5. Closed Mon
Musée d'art et d'histoire Egyptian Blue: glazed earthenware from ancient Egypt. Ends Sep 19. Closed Mon
Musée Rath Contemporary Swedish Art. Ends Sep 26. Closed Mon

GLASGOW
Burrell Collection A Celebration of Art in Nature: an exhibition celebrating the tenth anniversary of the building which houses one of the most prestigious public art collections in the world - the Burrell Collection. Ends Nov 10. Daily
Hunterian Art Gallery Charles Rennie Mackintosh, Master of Design. Ends Aug 28. Closed Sun

HAMBURG
Kunsthalle Picasso After Guernica. Ends Aug 29. Closed Mon
Deichtorhallen Andy Warhol. Ends Sep 19. Closed Mon

HILDESHEIM
Roemer und Pelizaeus Museum Bernward of Hildesheim and the Age of the Otto Dynasty. Ends Nov 28. Daily

LAUSANNE
Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon
Musée Cantonal des Beaux-Arts Balthus. Ends Aug 29. Closed Mon

LONDON
Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily

LUGANO
Villa Favorita Lost Empire of the Silk Road: Buddhist art from the 10th to 13th centuries. Ends Oct 31. Closed Mon

MARTIGNY
Fondation Pierre Gianadda Degas: his entire work as a sculptor. Ends Nov 21. Daily

MONTPELLIER
Musée Fabre French 17th century Paintings from Public Collections. Ends Sep 5. Closed Mon

MUNICH
Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs 1901-46 from private German collections. Ends Nov 14. Closed Mon

NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's collection. Ends Sep 19. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Paul Klee: 26 drawings. Ends Oct. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon
Museum of Modern Art Latin American Artists of the 20th century. Ends Sep 7. Closed Wed

NUREMBERG
Germanisches Nationalmuseum *The Ludwig Collection. Ends Oct* 10. Closed Mon

PARIS
Louvre French Drawings from the Pierpont Morgan Library. Ends Aug 30. Closed Tues (Pavillon de Flore)

PRAGUE
Kinsky Palace Max Ernst. Ends Oct 3. Closed Mon
Prague Castle Europe in the Mirror of Baroque Art-Collecting. Ends Sep 12. Closed Mon

ROME
Palazzo degli Esposizioni Italian *Journey: landscapes by the Russian* artists who flocked to Italy during the 19th century. Ends Aug 30. Art and Architecture - Richard Meier and Frank Stella. Ends Aug 30
S Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others. Ends Dec 31

WASHINGTON
Hirshhorn Museum Jean Dubuffet. Ends Sep 12. Daily
Arthur M Sackler Gallery The Divine Word of Islam. Ends Jan 2. The Golden Age of Sculpture from Sri Lanka: 52 ancient masterpieces of bronze casting. Ends Sep 26. Daily

Two of a kind: David Marsh on how bishops are responding to the divisions within their countries

Paradise lost in the west

Archbishop Joachim Meisner of Cologne, dispatched to the Rhine by God and the pope, has taken on an exacting task: to plough a furrow of catholic rigour straight and narrow across Germany's churned-up soil.

A former citizen of East Germany, a long-time protegé of Pope John Paul, and a cardinal in Rome since 1983, he scans the Germans and their weaknesses with hawkish eastern eyes.

In residence in west Germany for 4½ years, the archbishop ostensibly bridges the gap between the two parts of the reunited nation. Yet he also shows how large and uneasy the divide still is.

Clashes of theology and personality were inevitable from the day this conservative Prussian cardinal arrived in Cologne, a bastion of west German liberal catholicism. But the ferment generated by his onslaughts on Germany's spiritual shortcomings has surpassed all expectations.

On a chill morning in his office near the cathedral, the archbishop illustrates why he provokes passion. He speaks in fiery parables, lacerating his enemies in a voice rising and falling with the cadence of psalms.

The archbishop says members of the ruling Christian Democrat party who support liberalisation of west German abortion laws "betray" Christian principles. His doctrinaire views on this, along with issues such as remarriage of divorcees or the religious status of women, have exposed him to strong criticism, and prompted thousands of Rhineland catholics to quit the Church.

However, such reactions to his moral offensive strengthen his conviction that he is right. "It is better that the Church becomes smaller and remains faithful, than if it seeks popularity through false adjustment to society. The Church is in the world, but not of it."

The bishopric of Cologne – the largest in Germany, with an extensive welfare network of homes, schools and hospitals – has a temporal as well as a spiritual role. As a young man in East Germany, the archbishop was once an apprentice bank clerk.

Ralf Braum

Joachim Meisner: speaks in fiery parables, lacerating his enemies

Could he have become not bishop but banker? Softly, he points out that he sits on two Vatican finance committees. "It is not unimportant that I know something about finance. God moves in mysterious ways."

There is nothing mysterious about the archbishop's relish for strife. Born on Christmas Day 1933 in Silesia (now Poland), he fled in 1945 with his family from the Soviet advance and settled in what became communist East Germany. After taking religious orders, during the 1980s he became the head of the East German catholic Church, a tiny hotbed of defiance to the communist regime.

> **'I am shocked at how quickly the gift of freedom has faded into the background'**

Commanded by the pope – whom he has known since 1975 – to take his ecclesiastical orthodoxy westwards, the cardinal moved from Berlin to the Rhine in 1988, a year before the fall of the Berlin Wall. The collapse of communism took him, like so many, by surprise. He thought he would never live to see German reunification; the pope, he says, saw it coming. "He told me in 1987: 'The tide is turning.' I said: 'Holy Father: I don't believe you.'"

For the reunification celebrations in October 1990, a triumphant fragment of Berlin Wall graced the Cologne cathedral altar. Nearly four years later, the joy has disappeared. "I am shocked and shaken at how quickly the gift of freedom and the gift of human rights seem to have faded into the background as the economic situation has deteriorated."

The west Germans' reluctance to make sacrifices for the east is one more sign of human frailty, he says. "Man's overall spiritual condition is the situation of original sin. How does a human being come to the world? A child is not born with outstretched hands, to give, but with clenched fists."

Overall selfishness in united Germany has been exacerbated by a sorry combination of materialism in the west and the residues of Marxist-Leninism is the east.

"A people composed of pure egoists; a people who have been deluded into thinking, in both east and west, that everything they want, they shall have: how can such a people, from one day to another, learn how to share?"

To illustrate the lack of brotherly love, the archbishop relates a wry Rhineland joke. "'Why do the Chinese smile? Because they still have the Wall.' It is dreadful, dreadful. We should be saying: 'Why are we Germans smiling? Because we no longer have the Wall.'"

The disappointments of reunification have been aggravated by false perceptions in both parts of Germany, he says. "The politicians completedly underestimated the situation."

East Germans, too, were unprepared for the difficulties of adjustment because they expected "paradise" from the west. "As a person from the east I really believed that, when we had got rid of communism, all our problems would be over.

"We East German citizens knew West Germany solely from television. We thought what we saw in the advertisements was the normal lifestyle of ordinary West Germans." When he went to West Berlin in 1980 for the first time to visit priests, he says, "I was surprised at the modesty of their lives. It did not tally with what I had seen in TV advertisements."

As to the future, the archbishop says Germany must no longer measure its success "by the size of wage packets", but must pool its "spiritual potential". His eyes glint. "I sit here before you as a man of the gospel, and I will deliver what I have into the hand of the Lord."

How many will rally to his crusade? The archbishop's gaze is fixed beyond earthly things. This is a man for whom the stringent pursuit of virtue offers, on high, its own reward.

Nation in need of team spirit

David Sheppard, bishop of Liverpool, is an admonitory priest, but not a dismal one. He has the churchman's ability to see light amid the darkness. Displaying the steadiness with which he played cricket for England between 1950 and 1963, the bishop has warned Conservative governments for more than a decade about the depredations of unemployment.

The Church of England's standard-bearer in the city since 1975, he declared in a celebrated BBC lecture in 1984 that poverty and unemployment were causing "sick human relationships" and "a deeply divided nation".

Now, as he analyses the latest long UK recession, the bishop spots a small, perverse chink of optimism.

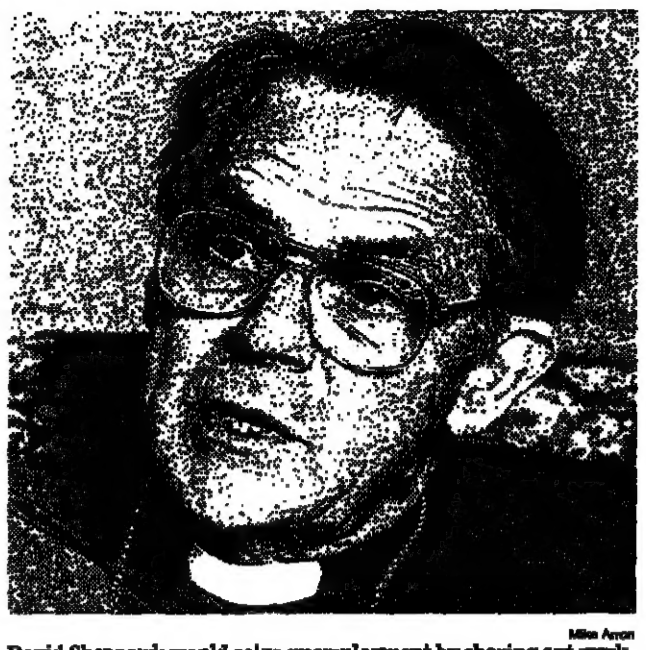
People living in middle-class, non-manufacturing areas of Britain, who were mostly insulated from the previous downturn in the early 1980s, this time round have borne their share of joblessness. So, although no one (including the bishop) has a miracle solution for unemployment, at least nearly everyone now knows what it is like.

"In a curious sense this recession has something more hopeful about it, in that it is affecting a wider circle of people. This time, I think there's a better chance that the nation might accept that unemployment is a real problem. Before, I thought the nation was sweeping the problem away."

In the drawing room of his airy Victorian residence, he illustrates the point with a tale from a relatively prosperous district in his diocese. "Someone told me the other day of a well-educated young man from that parish who's just written off for his 300th job."

He is a grey-haired 64, but there is still a hint of batsman's muscle rippling beneath his purple bishop's shirt. He confesses that, at his bedside (presumably next to another Good Book), he keeps a copy of the Wisden cricket almanac.

If he were prime minister, how would the bishop of Liverpool bring down unemployment? "Sharing work round", he says, would be high on the agenda. "We are going enormously in the opposite direction. We're getting a pattern where there's a small core staff, working enormously hard with very high salaries. Around them, there's a broad group of people moving jobs constantly, often in part-time jobs. And, around them, there are people outside the work structure altogether.



Mike Arron

David Sheppard: would solve unemployment by sharing out work

"In quite a lot of big outer estates in Merseyside we're into the second or third generation of mass unemployment. From a Christian perspective, what is apparent is the sheer waste of human gifts, and destructiveness of human dignity."

> **'A small core earns very high salaries, while others are wholly outside the work structure'**

There is a "blindingly obvious connection" between unemployment and crime. Young people need role models: "If they don't see men, younger or older ones, having creative things to do, you've taken away the greatest weapon for stopping boredom and destructive behaviour."

After 18 years on Merseyside, the bishop sees the world through Liverpudlian eyes. As a result of long-term economic stagnation, he points out how Liverpool's black community has far more difficulty than in London in breaking down jobs barriers. "The year I came here, they picketed the stores in the centre of Liverpool, saying black people don't get jobs here. Nothing has changed too much.

"A group of young people from here went to London for the weekend and came back eyes shining, saying: 'Black people drive buses in London.' I've not yet seen a black bus driver here."

There is a diffident note to his conversation. Perhaps his lack of directness is partly because bishops know that, if they want to have any influence at all in notoriously secular Britain, they cannot simply bang on the table and talk about God but have to employ the more diffuse language of market economics.

Has the Church been too hesitant in speaking out about the battle between good and evil? "I do think there is a struggle and always has been. I think the Church sometimes has been a little diffident. I don't want to produce a crude statement. Nevertheless I do believe there are forces of evil." He points to the former Yugoslavia. "It's frightening how a group can lead people into destructive attitudes where an individual might not."

Three years ago, many people thought Bishop Sheppard's brand of gentlemanly populism would make him the ideal candidate to take over as archbishop of Canterbury on the retirement of Robert Runcie. Why didn't he get the job?

Slightly embarrassed, he replies: "There was a lot of talk about it. My wife and I said: 'Come on, we'd better stop and think what we would do.' Having taken a proper look, I thought: 'If that comes my way, yes, I can see the challenge and excitement as well as the rough stuff.'" However, when Bishop George Carey was chosen, he says, "I felt an overriding sense of relief".

The debate about the Lambeth Palace succession came at around the same time as a new incumbent moved to 10 Downing Street. He is pleased that John Major has abandoned some of the more simplistic nostrums of his predecessor.

"The aggressive confidence that wealth creation is all and, if only we can produce that, it will trickle down through society, and the market will decide: the doctrinaire view of that has softened very greatly, although it hasn't all gone. I don't deny the strength of market forces, and I'm absolutely clear you can't ignore them. But we need to build in other forces, of a social market if you like, with other priorities."

How these priorities should be reordered is not within the bishop's gift to determine. He can put his finger on society's ills. Healing them is a matter for the wider world beyond his pulpit.

This is the fourth of an occasional series on EC personalities

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Where VW was badly advised in GM affair

From Mr Vic Heylen.

Sir, If the manner in which Messrs Piëch and López have been conducting business so far is in any way representative of the way they intend to run the company, the future of Volkswagen looks very bleak indeed.

In their handling of the Der Spiegel affair they simply broke the most elementary rules of corporate public relations behaviour.

First, they disregarded the basic rule, especially in the automotive industry, never to react in this way to articles in the press. Then they topped it off by asking the courts to order rebuttals to be printed and, even worse, pressed for a gag order.

Mr Piëch almost unbelievably failed to foresee Der Spiegel's very predictable reaction. It asked and obtained from the court a suspension of the ban and, by doing so, allowed the magazine to present sufficient evidence to prove the substance of their allegations before the courts.

For Opel it was an unexpected opportunity that allowed it to submit its case practically on its own terms. It eagerly offered Der Spiegel the assistance of 22 GM and Opel witnesses and four legal experts. All volunteers, as they claim.

Although Der Spiegel has a solid reputation for investigative reporting, it is difficult to believe that it did not get any help from Opel when researching the story.

It therefore looks very much as if Piëch, with both eyes wide open, fell into a trap set by Opel. "I was badly advised," Piëch later ruefully remarked.

An example of very poor managerial judgment from a man who claims to be the only one qualified to save the embattled company. And with the help of a man who increasingly seems to be responsible for this "fine mess he got Volkswagen in to".

Vic Heylen,
managing director,
Analyse Auto
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2000 Antwerp, Belgium

No special pay deal for top civil servants

From Ms Elizabeth Symons.

Sir, Your piece on top civil service pay seems to have left some with the idea that the senior civil service is being treated differently from other public sector workers ("Performance pay deal could give top civil servants 3.5 per cent", August 10).

The fact is that the government pay policy has been applied rigorously to all civil servants, irrespective of grade. As far as the senior civil service is concerned, an addition of 1.25 per cent has been added to the pay bill as a result of this year's negotiations. Unlike their colleagues elsewhere in the civil services, senior civil servants no longer have automatic increments, and thus, in order for the pay bill to stay cost neutral in any one year, 2 per cent is available for performance-related pay.

These arrangements have been strongly resisted in many parts of the public sector, but of course as a result of their use some civil servants will be paid no increase this year; all will be paid increases commensurate with what their managers judge to be their contribution to the performance of their department or agency.

The implication that somehow the senior civil service has got off lightly is both misleading and unfair. There will be no automatic increase this year for any civil servant covered by the recently negotiated package.

Elizabeth Symons,
general secretary,
Association of First Division Civil Servants,
2 Caxton Street,
London SW1H 0QH

A different royal rogue

From Mr Mike Solosy.

Sir, In Antony Thorncroft's article, "Behind the Queen's curtains" (August 8), he states that Queen Victoria's father was the Duke of York. I can only assume that the splendour of his surroundings at Buckingham Palace temporarily distracted him since her father was, in fact, the Duke of Kent.

At the time of her birth, I believe the Duke of York was a character by the name of Frederick and was the Duke of Kent's brother. As for Thorncroft's epithet of rogue, I guess that is a matter for personal interpretation, although one wonders whether he was referring to the Duke of Kent or the Duke of York.

Mike Solosy,
Streeklaan 8,
3060 Bertem,
Belgium

An effective way to relieve fuel VAT burden

From Mr Stewart Cohen.

Sir, There seems to be a kind of death wish in the way in which the government has handled the issue of VAT on domestic fuel.

The Treasury and the Bank of England have both made the case for the unpalatable necessity for increasing taxes; and the most effective way to raise the substantial sums involved must of necessity be by extending the scope of VAT.

The extension of VAT to domestic fuel is one of the more palatable options. The need with this option must be to protect those on low incomes. The method chosen of promising adjustments in benefits paid to compensate for the imposition of VAT on domestic fuel has had all the predictable reactions and has been shown to be politically inept.

A simple but effective way to overcome the problem would be to institute a *de minimus* rule for all fuel bills so that if the total quarterly bill were below a figure of, say, £50 no VAT would be charged and, if above, full VAT would be chargeable.

In effect, the relief is at the point of sale and as such is the most effective and cheap way of providing relief.

Stewart Cohen,
24 Carlton House Terrace,
London SW1Y 5AP

M&S and a question of marketing strategy

From Mr A M Irvani.

Sir, The defence by Marks and Spencer chairman Sir Richard Greenbury (Letters, August 5), of its plans for Brooks Brothers (in response to Nikki Tait' s article: Management, July 8) is to be expected. Nevertheless there are aspects of his letter which surprise me.

"We are not trying to popularise Brooks," he says. "Clearly this would not be in its interests and we are not so stupid as to think it would be." The last part of this comment, I fear, identifies the problem all too crisply.

"Brooks Brothers, however," continues Sir Richard, "cannot develop and grow based upon a declining number of ageing Wall Street customers and must broaden its base at least into the 40-year-olds..." Perhaps Sir Richard is planning a massive expansion. Given the size of Brooks Brothers and the large market available for its products, demographic factors should not impede sustainable growth, "... while of course maintaining the loyalty of its more traditional customers," continues Sir Richard. "We are succeeding with this policy." This confident assessment of success seems, to put it mildly, rather premature.

More generally, Sir Richard's letter opens an interesting debate about marketing strategy. Should companies that market products to a well-defined group of customers and enjoy their loyalty continue to maintain the integrity of their position, or should they be receptive to change? Conventional wisdom is that companies must be sensitive to the markets they serve and should attempt to optimise the preferences of their target customers as successfully as possible. The recently fashionable view is that firms should lead their customers rather than follow.

The long-term consequences of Sir Richard's decisions are not yet clear. What is beyond doubt, however, is that I have lost a cherished supplier of high-quality products.

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FINANCIAL TIMES

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Friday August 13 1993

A scrap over aluminium

BACK IN March, when the west was in one of its periodic funks about Russia, the European Commission extended a gesture of support for President Boris Yeltsin: an offer to negotiate an eventual free trade zone with his country. It was a generous acknowledgement of the overriding importance of exports to Russian economic reform. Last Saturday, the Commission sent out a contradictory signal by discreetly announcing a strict limit on imports of aluminium from the Commonwealth of Independent States until November.

Is the EC – as a furious Russian government and industry allege – now showing the true meaning of its free trade promises? Does Saturday's announcement signify, as did previous moves against eastern European steel and agricultural goods, that Brussels is prepared to open up its markets to all products apart from those in which the countries to the east have a real comparative advantage? The answer in this case, at least for now, is: not necessarily. The Commission insists that it had to act against a sudden and highly disruptive surge of heavily subsidised aluminium exports from the CIS. The import restriction, it says, constitutes a temporary measure, designed to secure for Europe's aluminium industry a "breathing space" in which negotiations can take place with the governments concerned.

That low-cost CIS exports – produced with ludicrously cheap energy and highly subsidised credit – are disrupting the west European market is not in doubt. Between 1989 and 1992, as the aluminium-using industries of Russia and the other republics collapsed, imports jumped from virtually nothing to an estimated 9 per cent of EC consumption. This year, as the quantity has grown further, prices have tumbled, stocks have soared and Community producers have cried out for assistance.

Because Russia has yet to be admitted to Gatt, its trading partners have no ground rules under which to seek redress. But were Russia a member, the EC might well have a case. Indeed, the Commission says it has been trying to achieve an accord establishing transparent pricing and orderly marketing – as well as providing for EC assistance towards modernisation of CIS aluminium smelters. Such is the chaos in Moscow, however, that it has not even been able to obtain precise statistics on the volume of aluminium now leaving the former Soviet Union.

Nevertheless, it is questionable whether this week's move represents the most effective way of securing such an agreement. In the first place, it seems to have angered other aluminium producers almost as much as those in the CIS itself. The US industry, in particular, fears that the flood of cheap metal will simply be diverted from western Europe in its direction. What is needed is multilateral co-operation, not unilateral enforcement. Second, there is a danger that short-term sanctions could turn into longer-term protection for an industry that still needs to cut costs in western Europe and America.

Western governments and industries are bound to be unsettled by Russia's transition to a market economy. But in such an economy, Russia will almost certainly have an advantage in aluminium production. Rather than seeking to insulate the EC from the side-effects, the Commission should make speeding that transition its highest priority.

Fishing rights

BRITAIN, in common with many nations, has too many fishermen chasing too few fish. Measures to curb overfishing are unavoidable, otherwise the sea will be progressively robbed of its wealth and the industry will lurch from crisis to crisis. This much is accepted by government and industry alike.

But all schemes to curb overfishing are not equally good, as today's House of Commons agriculture committee's report makes clear. The committee urges the government to abandon a plan, which has already been suspended following a campaign by fishermen, to require trawlers to be tied up in port for half the year or more. Instead, a twin-track approach should be adopted, whereby fishermen would be bought out of the industry and fishing rights then sold to those who remained.

This proposal has much to commend it. Although the government already has a £25m scheme to buy fishermen out and decommission their boats, the committee criticises it as half-hearted. A more generous approach would mean there was no need for fishermen to remain idle for half the year, while insurance and other fixed costs of maintaining boats mounted. Those bought out of the industry could seek productive employment elsewhere.

The main drawback of paying fishermen to sell their boats is, of course, money. But this is where the committee's second proposal of selling fishermen individual transferable quotas (ITQs), specifying the amount of fish they were allowed to catch, could come in. The cash raised could pay for decommissioning costs.

While fishermen would balk at having to pay for fishing rights which they previously received free, the pill would be sweetened if coated with a generous decommissioning scheme. It might also be less unpalatable than the government's tie-up plans.

Introducing ITQs would have other benefits too. Because fishing rights could be traded, fishermen who needed bigger quotas would be able to buy them from those with spare capacity. Such a system, already successfully implemented in Australia and New Zealand, could also curb overfishing and boost incomes of those who remained in the industry.

Critics of ITQs say they could not be introduced in the UK alone because of the European Community's common fisheries policy. But this ignores the fact that once the Community's annual fishing catch is divided between nations, each country is free to distribute quotas to its fishermen however it chooses. While it would be desirable if other European Community countries embraced ITQs as well, that is no reason for Britain holding back. Mrs Gillian Shephard, the agriculture secretary, should take note.

Failure pays

ONE OF THE yardsticks against which top people's remuneration packages should be judged is whether the directors feel the pinch when the company underperforms. Yet a study this week from Incomes Data Services confirms once again that the balance between risk and reward in the typical executive contract is all too often weighed in favour of the director against the company and its shareholders.

Not only do executives on the usual three-year rolling contracts leave with an average of two years' pay in their pockets regardless of performance; many also take away other perks, including cars and compensation for expected bonus payments. Worse, the size of the pay-off often bears an inverse relation to merit because companies base the settlement on a calculation of what a law court might award, taking into account the director's re-employment prospects. Thus, the more public and egregious the person's failure, the lower the chances of a new job and the higher the settlement.

Not all who leave have done anything wrong. Contracts are often broken because the job has ceased to exist or the company has been taken over. But even in these cases a two-year pay-off seems excessive, as most senior executives get new jobs five months after losing their old one.

Supporters of three-year rolling contracts argue that legally enforceable tenure encourages continuity in the boardroom and prevents managers from taking short term decisions. But this does not square with the real world. Directors of Marks & Spencer, P & O and Abbey National, to name but three less than obvious short termists, do not have rolling contracts of more than a year.

A second argument is that good managers are in short supply and will only move if they are promised security. Yet it is hard to believe that the really scarce managers are the ones who need this kind of security, let alone the reassurance that they will be disproportionately rewarded if they fail.

The best way to ensure commitment for the long term is to tie the overall pay package to longterm performance. The simple answer to the contract dilemma is to make one-year contracts the norm. Postel, which manages the pension fund investments of British Telecom and the Post Office, has already applied pressure to larger British companies on this score – and to good effect. The terms on which the new chief executive of Booker was hired took into account Postel's requirements. But the chain of accountability from management to shareholder still has weak links. Better disclosure of remuneration, severance and pension packages would help institutional shareholders apply pressure where it is most needed.

The yen's surge is adding to the Japanese government's economic problems, writes **Robert Thomson**

Unwelcome gifts for the new team

A sure sign of the Japanese economy's poor health has been the unusual reluctance of most leading companies to court their customers and politicians with the traditional mid-year gift, an ornately wrapped melon, a box of pale Japanese cherries or a quaint collection of different coffees and milk substitutes.

Instead of the cherries, Mr Morihiro Hosokawa, the new prime minister, was presented this week with an economy sliding into the second phase of a "double-dip" downturn, as well as an embarrassingly large trade surplus and an irrepressible yen, which closed yesterday in Tokyo at a record Y103.37 to the dollar.

Mr Hosokawa, who wants international intervention to calm the currency markets, fears the yen's rapid appreciation will delay economic recovery by putting extra pressure on companies already having a bad year. The yen surge has also rekindled the mid-1980s debate over whether Japanese industry will be "hollowed out" by a shift of production capacity to cheaper locations such as Malaysia and China.

The concerns about industrial decline are probably overdone, but Japanese companies are facing their fourth consecutive year of falling profits and are looking for new ways to cut costs. In the 1980s, the effects of a strong yen were countered by frenetic asset price rises and profit growth of the "bubble" years. In the early 1990s, companies are still sweating out "bubble" era excesses and must cope with a currency close to the important threshold of Y100 to the dollar.

Mr Hosokawa and his seven-party coalition government will need to address the economy quickly. There are calls from industry to cut official interest rates and reduce income taxes, and counter-arguments from the finance ministry that slowing tax revenues have left the country unable to afford another stimulatory spending package or tax relief.

A few months ago, in the spring, Japan's economic planners were confident that the buds of recovery were emerging. One senior official even warned that the economy was in danger of "overheating". New car sales rose in March for the first time in 14 months, Tokyo stock prices had bounced higher, and there were stirrings in the housing market.

But a fresh flow of unfavourable statistics suggests that the early optimism was unwarranted. New car sales in July slipped 10.8 per cent from the same month a year ago, marking four months of double-digit falls, the longest decline since 1974. The ratio of job offers to applicants over the month of June slipped from 81:100 to 74:100. Jobs offered by manufacturing industry in June fell 26.3 per cent from a year earlier.

The weakening of the job market has eroded consumer confidence. Cars aside, sales at department stores in June were 8.9 per cent lower, the largest year-on-year fall on record. It was a sign that consumers are spending more in discount shops rather than in department stores, which tend to deal in well-known brands and high-quality goods.

Bank of Japan officials say the two most worrisome economic trends are the continuing fall in consumption and reductions in capital spending by Japanese companies, some of which invested recklessly during the late 1980s, when funds were raised at almost zero cost and high return on investment was taken for granted.

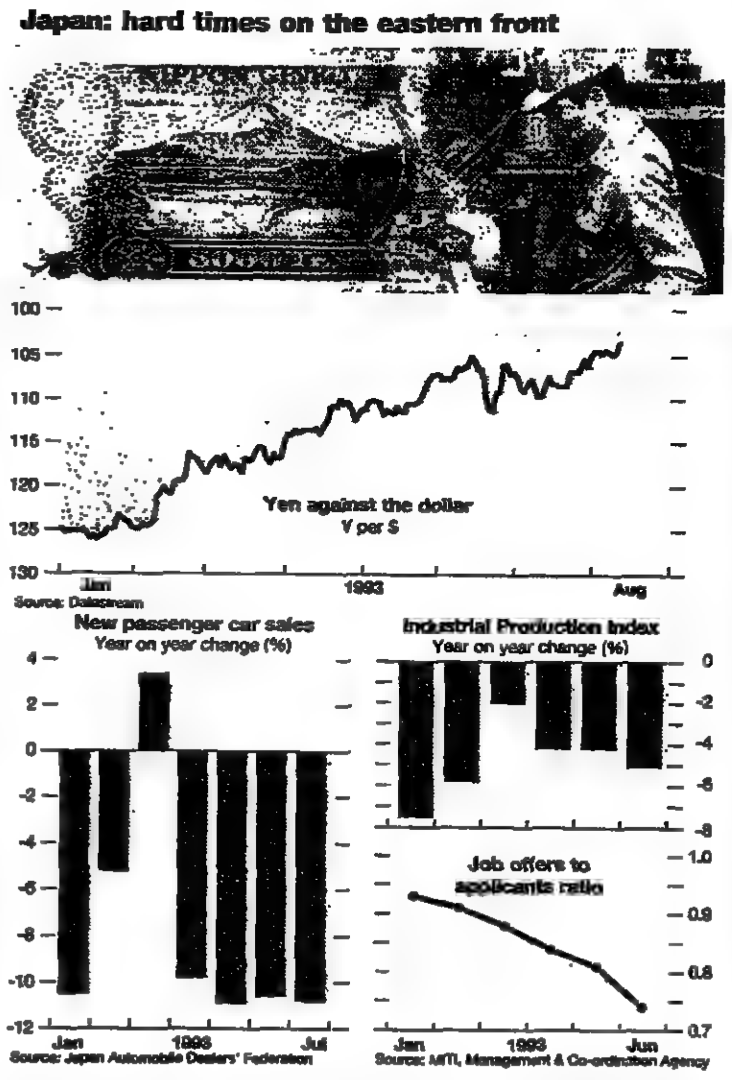
One result of cheap money was speculative stock and property investments which produced huge losses for companies and bankers, while manufacturers were tempted into an unnecessary expansion of production capacity within Japan. New machinery orders rose 24.4 per cent in 1988, but investment in plant and equipment fell 5.7 per cent last year and Nomura Research Institute expects a further 4.8 per cent contraction this year.

In a just released quarterly outlook, the Bank of Japan said manufacturers are "adjusting" to the environment of less rapid growth, and "building up the potential for future investment expansion". But the bank also identified one potential obstacle to this recovery, yen appreciation.

"The current stagnant investment in the assembly industry is a reflection of low profitability in the industry, and the possibility that a further appreciation of the yen could trigger a massive substitution of overseas investment for domestic production cannot be ruled out," the bank warned.

The assessment was made before the yen resumed its rise this month. Closing last year at Y124.65 to the dollar, the yen rose sharply in January and then calmed in March. It has appreciated 17 per cent so far this year, in spite of intervention by the Bank of Japan and the government's plea that the movements "do not reflect the economy's fundamentals".

Japan: hard times on the eastern front



There are various theories for the yen's strength. Currency traders say the trade surplus, which rose 28 per cent in July, is an important cause, and repatriation of foreign funds by Japanese institutions is said to be a trigger for speculative movements. According to Mr Yoji Inaba, economic research director at the Japan Development Bank, yen appreciation was generally expected, but "not this quickly".

"The pace of appreciation is too fast, and there will be serious costs for the Japanese economy," Mr Inaba said. "We can see 'hollowing out' in the electric machinery and audio-visual equipment industries. Many companies already have factories in east Asia and can increase capacity there. The big impact will be on employment on Japan."

His assessment suggests the yen's current movements are undermining consumer confidence and job security, and raise the medium-term possibility of lay-offs on a scale not seen since the second world war. As Mr Inaba put it: "Another year of falling profits and companies will have to start getting rid of excess workers in middle management."

Companies are already shifting production to east Asia, but hoping to keep the highest value-added products at home. Canon is increasing camera production in China. Yuasa is doubling its production of car batteries in Thailand over the next two years, and Ricoh this week announced a new facsimile machine venture in Shanghai.

These and other manufacturers, their workforces, and the Japanese economy would be under greater pressure if it were not for rapid growth in China and elsewhere in east Asia. Japanese video camera exports to China quadrupled in the first half of this year, passenger car exports were eight times larger, and steel exports doubled, while total exports rose 51.2 per cent.

Attempts to cool the Chinese economy could, however, slow Japanese export growth later this year, while exports to other countries will be hurt by the higher price tags that accompany yen appreciation.

Mr Masaru Yoshitomi, vice-chairman of the Long-Term Credit Bank of Japan Research Institute, estimates that a 15 per cent appreciation could lead to a 5 per cent fall in exports and a 0.5 per cent decline in economic growth, generally expected to be 1.5 per cent in the year to March.

"If you have strong growth, then a 0.5 per cent decline does not matter so much, but when you already have a sluggish economy, the impact is not negligible," said Mr Yoshitomi, who retired from the government's Economic Planning Agency last year.

The agency is been remarkably optimistic in the face of economic downturn and yen appreciation, as the new prime minister has discovered. Japan's official target for growth, produced by the agency, is 3.3 per cent which, it argues, is "still valid" on the grounds that "if the target is higher, the effort will be greater".

Mr Hosokawa needs to gather fresh opinions. If he believes the official advice, the economy is set to recover later this year and will require no initiatives such as income tax cuts or an interest rate reduction or a fresh spending package to stimulate growth.

However, Japanese companies do not seem to agree: they have not abandoned their gift-giving traditions without good economic cause.

Mobilising the long-term jobless

PERSONAL VIEW

Recent proposals to meet the continuing prospect of 3m unemployed in the UK have focused on the labour market and in particular on making the long-term unemployed more attractive to employers via subsidies. The long-term unemployed now make up almost 1.1m of the 2.91m jobless total announced yesterday. Therefore they do bear a disproportionate part of the burden of mass joblessness.

It is hard to believe, however, that the fundamental block on expansion of the economy lies in the capacity for useful work of those now unemployed. With a rapid expansion of demand, employment would rise rapidly just as it did in the late 1980s; without it, improvements in the job market would be meagre.

The prospects for an expansion of demand are much less favourable than a decade ago. The legacy of a boom, based on an explosion of private sector credit, is still being digested. The traditional Keynesian policy of fiscal expansion appears to be ruled out by the size of the budget deficit. The balance of payments is very precarious, with the overseas deficit projected at 4 per cent of gross domestic product this year and next; with a marginal propensity to import of 40 per cent, a fast enough expansion to provide work for large numbers would lead to an unsustainable deterioration in the current account.

A Europe-wide expansion would ease the payments problems of individual countries, but seems a distant prospect. Supply-side policies to bolster the traded-goods sector, as advocated by the Labour party, would at best be very slow to take effect.

Does the balance of payments constraint imply a ceiling on the generation of jobs? Not necessarily. Expanding employment in the public services and on infrastructural investment involves few additional imports. The removal of people from dole queues into work would increase their purchasing power. If total consumption expanded, according to the classic "multiplier", imports would increase rapidly.

To prevent this, the gains in purchasing power of those who find jobs must be transferred from other consumers. This would be achieved by the government expenditure being financed by increased taxation. Those presently at work would suffer some cut in consumption, balanced by gains for those currently unemployed. Thus there would be no increase in imports for personal consumption.

The balance of payments constraint does not necessarily imply a ceiling on the generation of jobs

If balance of payments weakness rules out expanding demand across the board, then Keynes's "How to pay for the war" – where he analysed how to restrain consumption while employment was expanded in the munitions industries and the armed forces – should be reconsidered. With import controls no longer a credible option, and with the likelihood that trading partners would object equally to further substantial real depreciations, the only feasible approach is to target expansion on the least import intensive sectors – public works and public services.

But isn't a rapid rise in employment, combined with tax increases to restrain personal consumption, a recipe for faster inflation? Evading the balance of payments constraint is of little help if another barrier, inflation, is thereby critically breached.

The cost to the exchequer of unemployment (benefits paid and tax lost) means that the net cost of expanding public service employment (in terms of higher tax rates and thus reduced consumption of those already employed) is far less than the gross cost. With strong support for improved public services, holding back the growth of real consumption may not be seriously inflationary.

The issue is whether popular support can be gained for a policy of eliminating mass unemployment. The costs of doing so will have to be quite broadly borne in terms of restraint on personal consumption, though the benefits from improved public services extend far beyond those who find jobs. In the early 1940s, people were prepared to accept much more severe restraint on their consumption in order to further the war effort; an important lesson from that experience is that sacrifices must be seen to be fairly distributed.

The fundamental point is that an expansion of public expenditure, with progressive increases in taxation and savings on the dole providing the finance, is a straightforward and predictable way of tackling mass unemployment. Indeed, under present circumstances, it is probably the only way.

Andrew Glyn
Bob Rowthorn

The authors are, respectively, a tutor in economics at Corpus Christi College, Oxford, and professor of economics at Cambridge University

OBSERVER

Do as I say, not as I do

■ A bizarre battle has broken out in Brazil over the proper handling of the country's rapidly weakening currency. Brazil's central bank is threatening to sue one of the country's top TV presenters for daring to make paper aeroplanes out of banknotes on his popular Sunday afternoon show.

The threat comes after Silvio Santos ignored a written warning in February. It appears that using cruzeiro notes to make paper aeroplanes constitutes a contravention of the penal code which prohibits the wilful destruction or damage of currency.

The central bank explains that the cost of replacing damaged notes is very high and, in a new twist to economic theory, adds that making people aware of the need to keep their money in good condition is vital if inflation is to be reduced from its level of 1,900 per cent a year. So now we know why the bank has just changed its currency for the fourth time since 1986 and is reported to be burning 3m worthless notes a day.

Time, please

■ Jim Slater, The Independent's share tipster, seems to have pulled off a sleight of hand in his weekly column. To reassure readers, and get round conflicts of interest, Slater agreed not to deal in shares which he writes about for six weeks before and after publication.

In yesterday's column, however, he neatly reversed the burden of proof by claiming that he could not reveal to readers which two tips they should cut losses on, since he had recently bailed out himself.

Thus the rule now seems to be that Slater cannot advise people about shares he has dealt in, rather than the other way round. Those who followed his advice and bought his tips earlier this year were left scrabbling for hints about the identity of the two companies.

French influence

■ Excerpt from the morning meeting notes of a blue-chip City broker reviewing rival firms' investment recommendations on the Tesco supermarket group: "BZW had repeated its negative stance and Debit Mayonnaise its positive stance..."

Point of honour

■ A romantic footnote has crept into the lengthy BCCI fraud trial now drawing to a close in New York. As the jurors were being asked to decide whether the Washington lawyer Robert Altman was honest or whether he helped BCCI to cheat US bank regulators, there was an unexpected cry of

objection, your honour.

It had nothing to do with the four months of testimony or the hundreds of boxes of documents. Much more down to earth. Altman's defence attorney felt sure that one of the jurors, an attractive, single, thirtysomething from New York's upper west side, had made eyes at the prosecutor, Manhattan district attorney and Chevy Chase lookalike John Moscow.

Altman's lawyer complained that the juror had given Moscow "long, lingering looks" and "mouthed hellos" during the five-month trial. Moscow, nicknamed the "Romeo DA" after he married a juror 12 years ago, disagreed strongly and said that the juror was just being "attentive".

However, the judge had also noticed the juror's "peculiar behaviour and strange body language". She was summarily dismissed.

Near thing

■ Calling all intrepid travellers who like to get close to the action. China's state-run space industry, suffering from shrinking government subsidies, is offering what could well be a unique opportunity to witness at close hand its Long March rocket take-off from Sichuan province.

But Observer will not be first in the queue. Even at the European Space Agency's launch site in French Guiana, privileged onlookers at last year's launch had to stay at least 4km away during take-off in case the thing blew up.

And that was nearer than safety regulations would allow at Cape Canaveral, explained an official. "Of course, it's different with the Russians and Chinese these days. They let you get as close as you like."

The Midas touch

■ So much for the idea that Swiss bankers are conservative sorts. The latest letter to shareholders from Union Bank of Switzerland, flagship of the country's banking community, is filled with superlatives which would make any self-respecting public relations flack cringe.

Anyone can see that an 89 per cent jump in UBS's first-half net income is jolly good without having to be reminded that "UBS even managed to outshine its dazzling performance in the fourth quarter of 1992".

UBS's Gertrud Erismann admitted the language might be thought a bit over the top, but "we feel that the result is so positive that it would not be honest not to be positive".

But despite the "outstanding financial results", UBS did have a few problems. "It is hard to understand," says the letter from the board of directors, "how an employee of our Chiasso branch...could embezzle roughly 1.3 tons of gold over an extended period of time."

Easy, the bosses were too busy making record profits.

Grouse about

■ Faced with the prospect of hundreds of commuters venting their spleen in their disappointment at this year's wash-out of a Glorious Twelfth, British Rail was taking no chances yesterday.

"Anyone found shooting rubbish on these premises will be prosecuted . . ." announced a notice under the arches by Waterloo station.

FINANCIAL TIMES
Friday August 13 1993

President prepared to risk violating constitution

Yeltsin pledges autumn parliamentary elections

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday vowed to hold new parliamentary elections in the autumn, even if this meant violating the constitution, in a effort to break the deadlock over Russian political and economic reform.

Under the existing Soviet-era constitution, which Mr Yeltsin wants to replace, parliament cannot be dissolved until it completes its term in 1995, or unless the Congress of People's Deputies, the full parliament, amends the constitution.

"If deputies cannot take the decision, the president will take it for them," he told a meeting of provincial television executives in Moscow.

Any decision to pursue new elections without parliament's consent would be unconstitutional. But Mr Yeltsin and his supporters increasingly feel the benefits of doing so would outweigh the risks.

One aide suggested that the most painless way of removing the parliament would be to issue a presidential decree calling new elections after a quick plebiscite to show public support for the idea.

Mr Ruslan Khasbulatov, chairman of the parliament, dismissed Mr Yeltsin's statement as a groundless threat.

"There are threats which send shivers down people's spines," Mr Khasbulatov said in a live television broadcast billed as an address to the people of Russia yesterday. "In these conditions, do not be alarmed, we will protect you using the force of laws and the constitution."

Mr Vladimir Isakov, parliamentary vice-chairman, said any bid to bypass parliament on elections would be Mr Yeltsin's "swan song". He told Postfactum news agency: "Yet again he is ignoring the will of the people and taking the path of a *coup d'état*".

Despite being elected under the old Soviet regime and resisting radical reforms, most deputies claim to be defending democracy, while trying to hang on to their seats.

Mr Yeltsin, fearful of creating a precedent for unconstitutional acts, has sought to pressure parliament into dissolving itself to make way for a new parliament more suited to a nascent, post-communist market economy.

As he spoke yesterday, the Supreme Soviet, or standing parliament, also raised the heat in the fight with the president. It adopted a draft law which, if approved by a Congress session now scheduled for November, would give it ultimate decision-making on the government's composition.

Last month, it attempted to block the mass privatisation programme and passed a budget with a huge deficit, which Mr Yeltsin said was designed to destroy Russia's financial system. Continuing a counter-attack on economic policy, he said he had instructed the government to stick to the budget rejected by parliament.

"Under no circumstances will I sign this budget law," he said. "If implemented it would mean the collapse of the Russian currency system, the destruction of the rouble and the undermining of Russian statehood."

Bank of England £29bn gilt sales earn praise from City

By Peter Marsh and Sara Webb

THE Bank of England is ahead of schedule in financing the large UK budget deficit – earning it praise yesterday from City economists.

Just 4½ months into the financial year, the Bank has sold enough gilt-edged securities to cover nearly 60 per cent of this year's likely £50bn ($74.5bn) gap between government spending and revenues.

In spite of volatile conditions in the gilt market, the Bank yesterday sold a further £400m in UK government bonds out of £1.2bn of tap stocks announced on Wednesday afternoon.

About £29bn of gilts have been sold this year, with the biggest buyers being pension funds and other institutions attracted by prospects of relatively low inflation and falling interest rates.

Another factor has been the high yields associated with UK government bonds – at about 7 per cent for the 10-year maturity this is significantly higher than for equivalent French, German, US and Japanese bonds. Overseas investors have been particularly keen to buy gilts, on beliefs sterling would appreciate against the D-Mark.

The Bank's effort to sell a record volume of gilts this year has been helped by soaring gilt prices in recent weeks – even though they slipped back slightly yesterday. Earlier this year many economists were worried that the Bank would be unable to find buyers for such a large amount of bonds without a large increase in yields.

Mr Michael Saunders, an economist in London for Salomon Brothers, the US bank, said he was impressed by the Bank's system of monthly gilt auctions which helped investor planning.

"The Bank has broken the back of the funding," said Mr Nigel Richardson, economist at Yamaichi International, the Japanese securities house.

Mr David Mackie of US bank J.P.Morgan said: "The Bank has been astonishingly successful [in its gilt sales]." But "it's been fairly easy for them", as retail price inflation has fallen to its lowest level for nearly 30 years.

Mr Roger Bootle, chief economist of Midland Bank, said the Bank had made a tactical mistake by issuing too much longer dated stock, pushing up the national debt more than was necessary, because of the higher yields on these classes of bonds. The Bank said the bulk of the new issuance has been in medium-dated gilts - in other words, those with a maturity of between seven and 15 years.

Government bonds, Page 16

French foreign currency reserves down

Continued from Page 1

the ERM, in spite of Denmark's announcement that it was launching a large offering on the bond market to help replenish the country's foreign exchange reserves.

The bond issue, worth SFr1bn ($600m), came in the wake of a £1.3bn ($1.93bn) Eurobond offering made last week in sterling.

But news of this latest bond tender could not prevent the krone falling in London to a close of DKr4.1135 against the D-Mark from a previous DKr3.406.

The size of the capital flows is expected to spur attempts by European Community members to strengthen their defences against currency speculators.

"France and Germany in particular are looking at ways to control the market and increase economic co-operation," said one Paris-based diplomat.

Le Monde, the French newspaper, yesterday reported that France and Germany were planning a concerted reduction in income taxes to stimulate economic activity and reduce the basis for assaults by the foreign exchange markets.

But Bonn officials said such a proposal was out of the question in the current budgetary climate. "Our room for manoeuvre for cuts in direct taxation before 1995 or 1996 is zero," an official said.

Signs grow for Nato air strikes as Serbs hold firm

By Laura Silber in Geneva, Haig Simonian in Milan, and Gillian Tett in London

SERB FORCES yesterday appeared to defy international demands to withdraw completely from strategic heights around Sarajevo amid signs of mounting military preparations for Nato air strikes.

General Francis Briquemont, commander of UN forces in Bosnia, yesterday flew to a Nato air base in Italy to discuss the logistics of air strikes with Admiral Jeremy Boorda, Nato's commander of Allied Forces Southern Europe.

Italy later announced that it was sending additional troops to reinforce its border with the former Yugoslavia to protect against possible reprisals in the event of Nato bombing raids.

Mr Fabio Fabbri, Italian defence minister, told a radio interviewer it was necessary to "strongly intensify" border controls to protect against possible terrorist attacks.

Serb nationalists have threatened to retaliate against Italy if the Nato aircraft based there are used to attack Serb positions.

In a further escalation of the tensions Mr Radovan Karadzic, Bosnian Serb leader, told an Austrian newspaper he would try to acquire nuclear weapons to carry out attacks if the West pressed ahead with military action.

The comments were due to be published in Austria today. A spokesman for Mr Karadzic last night denied he made the threat.

The US has warned the Serbs that if they did not leave the strategic mountains around Sarajevo that they could face air strikes, agreed at a meeting of the Nato council last Monday.

President Clinton's nomination of Gen John Shalikashvili, who is known to be more favourable towards intervention in Bosnia, as chairman of the Joint Chiefs of Staff has fuelled speculation that Washington is moving towards a stronger line on the conflict.

But European diplomatic sources yesterday sought to play down the threat, stressing that the prime consideration continued to be the peace negotiations in Geneva.

The talks, however, remained at an impasse yesterday. President Alija Izetbegovic of Bosnia reiterated he would not return to the talks until the Bosnian Serbs had completed their withdrawal.

But Bosnian Serb leaders said they would not fully withdraw from Mount Igman until the UN had given further assurances that the strategic heights would remain neutral.

Although Serb troops had earlier been reported to be leaving the area Unprofor in Sarajevo confirmed that "thousands" of Serb forces remained on the summit of Mount Igman.

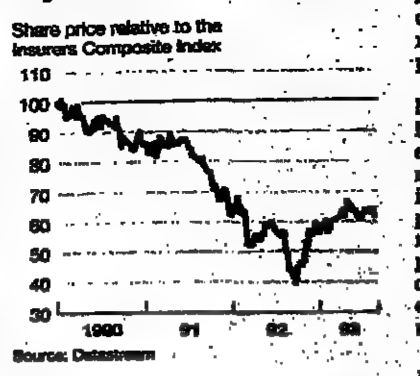
THE LEX COLUMN

Royal returns

FT-SE Index: 3009.1 (+3.0)

Royal Insurance

Share price relative to the Insurers Composite Index



Source: Datastream

With the proceeds of May's rights issue safely tucked away, Royal can enjoy the UK insurance recovery without worrying about its capital position. Having cut the pay-out too, it should even be able to cover the dividend and retain profits at the current modest level of profitability. The likes of Commercial Union will have to wait for the next leg of the UK underwriting upturn to flow through to the bottom line before such financial balance is achieved. Yesterday's large loss in reinsurance is a reminder that past mistakes might still take the shine off Royal's recovery, even where remedial action has been taken. Given the unpredictable nature of the business, there is certainly scope for further disappointment. But while running down reinsurance at the bottom of the cycle attracted brickbats, such losses support the argument that retail insurers have no place in the wholesale end of the business.

Like others in the sector, Royal is coy about how its new financial freedom will be used. Price rises in the UK should underpin premium growth for perhaps another year. By then, the US underwriting cycle may at last be turning. Royal is already reversing the steady shrinkage of its US operations. But while big US insurers such as Chubb are showing decent profits at current rates, price rises cannot be taken for granted. The immediate outlook in Europe is equally uncertain. Since investment returns are also likely to be lower than in the 1980s, insurers may have to content themselves with squeezing the most out of *existing business*.

Standard Chartered

As talk of a rights issue from Standard Chartered always sounded a little wild, its failure to materialise hardly provides an explanation for yesterday's sharp share price rise. More plausible is the sense of relief that another set of results figures had passed without further trouble. Certainly the unexpected increase in provisions against well-known UK problem loans was unwelcome, but investors were at least spared the emergence of wholly new difficulties. The management's aim must be to continue the encouraging profits' trend over the next 18 months, rebuilding its tier one capital ratio above 6 per cent and its credibility with institutions into the bargain. That would probably earn a credit rating and open the possibility of an issue of dollar-denominated preference shares to bolster its sterling capital base against shocks from the predominantly dollar asset base.

If such a strategy looks sensible, the difficulty is that circumstances are partly outside Standard's control. Boom conditions in the Asia-Pacific region may boil over in the next year or so, yet the bank's general provision looks modest when set against its £22bn of assets in the area. To be sure, the bank has recently shown restraint in Hong Kong in an effort to boost profits. If Standard is fortunate and Asia holds up, then there is room for some further improvement in its relative rating. Yet the risk of disappointment remains – the new management says that it intends to generate *consistent earnings, but this is an inherently* cyclical business.

Ferruzzi

The news from Ferruzzi goes from bad to worse – as yesterday's collapse in the share price after a two-day suspension demonstrates. The position was desperate even before the additional losses in commodity futures trading were disclosed on Tuesday. Since international auditors have now been through the books, that could be the last of the nasty surprises. With an investigation into alleged political bribes still in progress, though, the stock market can hardly be blamed for assuming the worst.

Reasons for optimism are few and far between. The appointment of foreign banks to the creditors steering committee offers some encouragement that restructuring proposals will meet the expectations of overseas investors. By forcing Ferruzzi to amend the terms of the proposed rights issue for La Fondiaria, its insurance subsidiary, the Italian investment authorities have also shown some teeth. If Tuesday's figures are correct, group companies are generating decent operating profits despite the pain of the parent.

While such profits are still dwarfed by interest payments, that is reason to hope asset sales might be achieved even in the current depressed economic climate. On a sympathetic interpretation, the two-week delay in presenting restructuring proposals might allow for the completion of the proposed sale of Himont, the chemicals subsidiary, to Shell. It will, however, take more than one disposal to restore financial balance.

Rothmans/Dunhill

The fine print of Richemont's asset reshuffle highlights the move's industrial logic but the financial advantages from the viewpoint of Rothmans' and Dunhill's shareholders are less clear. By untangling the web of interconnecting shareholdings, Richemont will produce two businesses separately focused on tobacco and luxury goods. Given the conspicuous clash of corporate cultures between the two groupings, this is doubtless a good thing.

As a pure tobacco company, Rothmans clearly has its attractions. The opening of markets in eastern Europe and China has given tobacco companies revived opportunities: Rothmans expects world cigarette consumption to grow by 2 per cent a year to 5,700bn sticks by the end of the century. With £500m of cash, Rothmans is strongly placed for expansion. However, its yield, which is likely to languish well below that of BAT Industries, may hold the share price in check.

Dunhill's minority shareholders, though, may reasonably gripe that their interests are not best served by transferring their assets, valued at the bottom of the cycle, into a bigger business over which they have diminished control. The Japanese downturn has certainly resulted in a nasty scratch across Dunhill's veneer. The company's currency hedging policies have also left it looking rather reckless – even if the immediate result is more red faces than red ink. But the unanswered questions remain: if Dunhill is as relatively weak as the terms of this deal suggest, why were its shareholders not aware of the fact; and why did its parent, Rothmans, not tackle the problems earlier?

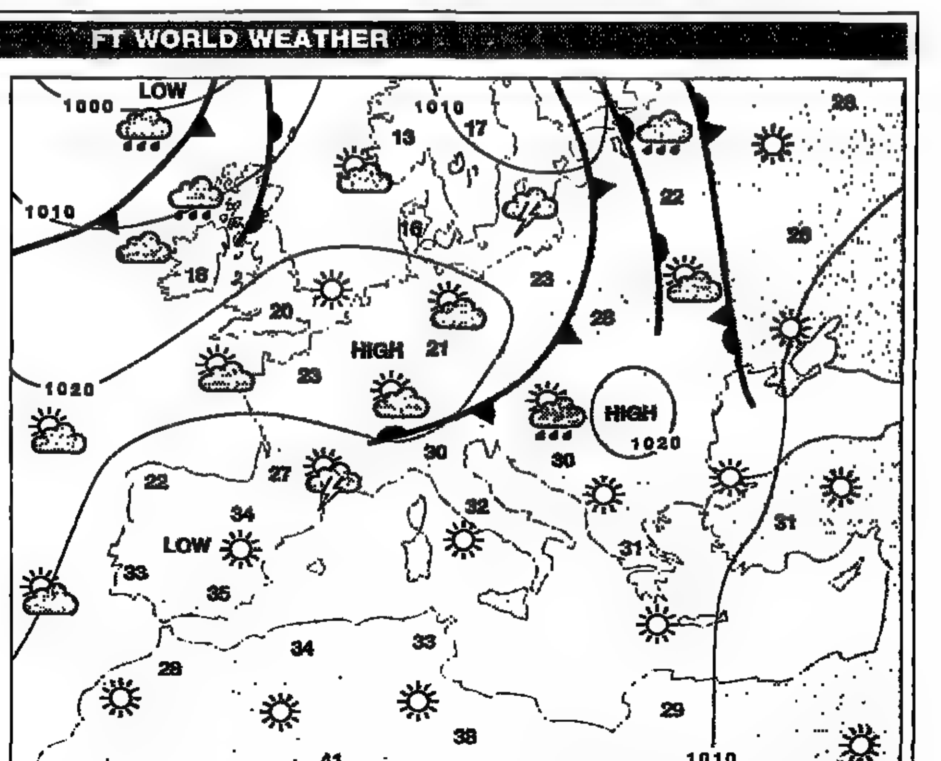
FT WORLD WEATHER

Europe today

A warm front moving over Iceland and northern Britain will bring rain and near gale force winds. Elsewhere in north-western Europe, a high pressure area crossing northern France towards Germany will produce dry conditions with sunny intervals and temperatures above 20C. A cold front will cause showers with sunny spells over northern Scandinavia, Poland and the Alps. Ahead of the front, warm air will be pushed into the Baltic countries, causing some afternoon showers. High pressure in the northern CIS will keep conditions sunny and dry. Mediterranean countries will continue warm and sunny, although thunder storms will develop in south-east France and northern Italy.

Five-day forecast

High pressure building over northern Europe will direct drier and warmer air from the continent over Britain and north-west Europe. However, a small depression moving into this region will trigger thundery showers. Sunny weather will prevail in eastern Europe and around the Mediterranean. In Greece and Turkey, winds will increase and thundery showers will develop in the northern coastal areas.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	sun	45
Accra	thund	28
Algiers	sun	34
Amsterdam	fair	18
Athens	sun	31
B. Aires	sun	20
B.ham	fair	19
Bangkok	thund	32
Barcelona	sun	29
Beijing	thund	31
Belfast	cloudy	17
Belgrade	fair	30
Berlin	fair	20
Bermuda	fair	32
Bogota	drzzl	19
Bombay	shower	30
Bordeaux	sun	27
Brussels	fair	20
Budapest	shower	29
C.hagen	fair	18
Cairo	sun	35
Cape Town	fair	16
Caracas	cloudy	31
Chicago	fair	30
Cologne	fair	21
D' Salaam	fair	27
Dakar	fair	31
Dallas	sun	38
Darwin	sun	32
Delhi	fair	36
Dubai	sun	41
Dublin	cloudy	16
Dubrovnik	sun	31
Edinburgh	rain	18
Faro	sun	29
Frankfurt	fair	24
Geneva	shower	27
Glasgow	rain	16
Hamburg	fair	18
Helsinki	rain	18
Hong Kong	shower	32
Honolulu	sun	30
Isle of Man	cloudy	15
Istanbul	thund	27
Jersey	fair	19
Karachi	fair	32
Kuwait	sun	44
L. Angeles	sun	24
La Paz	cloudy	18
Las Palmas	sun	29
Lisbon	sun	28
London	fair	20
Lux.bourg	fair	21
Lyon	sun	27
Madeira	fair	26
Madrid	sun	35
Majorca	sun	32
Malta	sun	32
Manchester	fair	17
Manila	cloudy	32
Melbourne	fair	17
Mexico City	thund	24
Miami	thund	32
Milan	thund	31
Montreal	shower	27
Moscow	shower	22
Munich	fair	24
Nairobi	fair	25
Naples	sun	33
Nassau	thund	35
New York	fair	29
Nice	thund	27
Nicosia	sun	33
Oslo	fair	20
Paris	fair	23
Perth	shower	16
Prague	shower	22
Rangoon	cloudy	27
Reykjavik	rain	13
Rio	fair	23
Riyadh	sun	45
Rome	sun	30
S. Frsco	fair	20
Seoul	shower	28
Singapore	thund	32
Stockholm	shower	16
Strasbourg	fair	26
Sydney	sun	15
Tel Aviv	sun	31
Tokyo	rain	31
Toronto	thund	28
Tunis	sun	34
Vancouver	fair	21
Venice	sun	28
Vienna	shower	28
Warsaw	shower	25
Washington	sun	31
Wellington	fair	10
Winnipeg	fair	28
Zurich	shower	25

FINANCIAL TIMES
COMPANIES & MARKETS

Friday August 13 1993

INSIDE

StanChart result damps fears

Shares in Standard Chartered, the international banking group, leapt after it disclosed a sharp rise in first half profits helped by buoyant Asia Pacific operations and eased fears that it would need a rights issue. Page 19

Lighter KLM rises slightly

First quarter net profits at KLM Royal Dutch Airlines was slightly up at Fl 40m ($20.5m) for the April-June period from Fl 38m a year earlier, mainly because KLM no longer carries the losses of its 20 per cent-owned US airline, Northwest. Page 14

Lufthansa re-enters profit zone

German national airline Lufthansa returned to the black in the second quarter with pre-tax profits of DM24m ($13.9m) as its cost-cutting programme started to show results. Page 14

'Wait and see' from Thomson

Thomson Corporation, the Canadian-controlled travel and publishing group, reported slightly improved second quarter earnings but warned that a true performance picture would emerge only later in the year. Page 15

Uprooting foresters

The upheaval in Canada's forestry sector is shaking many of the biggest companies to their roots, with a growing list of forestry companies emerging from the embrace of a controlling shareholder into the more bracing environment of a widely-held public company. Page 15

Royal recovers but disappoints

Royal Insurance reported a sharp recovery, posting pre-tax profits of £52m ($77.5m) for the first six months of 1993 compared to a loss of £79m last year, though investors seemed disappointed with the result. Page 18

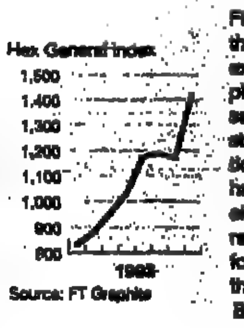
Warning for Wall Street

Foreign & Colonial Investment Trust warned yesterday that "Wall Street may begin to falter", as it announced a 2.7 per cent increase in its interim dividend to 1.15p. But the trust was reasonably hopeful about other markets. Page 18

New elements in copper market

The huge weight of money available to market operators is having an increasing impact on the London Metal Exchange's "flagship" copper market, according to one analyst. He says that "the price's behaviour has tended to become increasingly divorced from the perceived levels of physical supply and demand". Page 24

Fine times in Finland



Source: FT Graphite

Finnish analysts believe that the Helsinki stock exchange can continue its phenomenal performance, saying that many shares still look cheap on international comparisons. There has also been heavy foreign buying following the relaxation of restrictions on foreign share ownership at the start of the year. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Rises			
Asko	800	+	55	Club Med	447.9	+	18
Degussa	388.6	+	8.3	Essilor Int	551	+	31
Mannesmann	329.5	+	11.5	Imm de France	990	+	47
Preussag	430.8	+	16.3	Simco	550	+	25
Thyssen	218	+	12.5	Worms Cie	309	+	18
Falls				Falls			
Porsche	560	-	7	UFB Locabail	380	-	13
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
HMO America	[illegible]	+	[illegible]	Brother Ind	500	+	25
Jones & Jason	[illegible]	+	[illegible]	Daiwa Ban	1460	+	60
US Healthcare	[illegible]	+	[illegible]	Hokkaido Elect	3240	+	160
Utd Healthcare	[illegible]	+	[illegible]	Kawasaki Steel	378	+	19
Falls				Yamaha Motor	885	+	56
Schering-Plough	[illegible]	-	[illegible]	Falls			
TZ Medical	[illegible]	-	[illegible]	Toyota Motor	1610	-	40
PARIS (FFr)							

New York prices at 12:30.

LONDON (Pence)							
Rises							
[illegible]	68	+	17	Relyon	205	+	11
[illegible]	165	+	8	Senior Eng	59	+	5
[illegible]	225	+	21	Yorkshire TV	218	+	19
[illegible]	104	+	17	Falls			
[illegible]	[illegible]	+	[illegible]	Logica	232	-	9
[illegible]	738	+	25	Royal Ins	252	-	11
[illegible]	213	+	12	Sleepy Kids	29	-	3
Mirror Group	167	+	8	Tiphook	331	-	31
[illegible]	497	+	12	Transfer Tech	470	-	18
[illegible]	553	+	23				

Mirror Group's shares rise on report

By Raymond Snoddy

MIRROR Group Newspapers is still substantially undervalued, according to a study on the popular newspaper group's prospects by SG Warburg Securities.

Warburg expects that, despite the problems still remaining from the late Robert Maxwell's ownership, margins will be improved by 2 per cent to 23 per cent this year and a further 2 per cent next year.

The share price of the company – which publishes the Daily Mirror, Sunday Mirror and People, as well as the Scottish Daily Record and Sunday Mail – yesterday gained 8p to close at 167p.

Warburg, which is MGN's brokers, expected that, allowing for the future resumption of dividend payments, the company would come more into line with a normal media sector rating. This would imply a share price of 220p in 1994, it said.

The positive report on the company comes at a time of speculation that Mr John Talbot of Arthur Andersen, the administator to the private Maxwell companies, might be about to move on the disposal of 54.8 per cent of the company. This stake is effectively owned by a number of banks which lent to Maxwell.

A private placing in the autumn is seen as the most likely outcome, although it is not clear whether a final decision has been taken.

In her report on MGN, Ms Lorna Tilbian, Warburg's media analyst argues that the Daily Mirror has been only marginally hit by the price war with The Sun.

The report suggests that the underlying position, including normal seasonal variations, will show only a 0.6 per cent circulation fall in July. The Sun, which cut its cover price by 5p to 20p, will show a rise of only 123,000 copies, or 3.5 per cent, in average daily sales.

Ms Tilbian argues that there now exists an opportunity for the new management, under chief executive Mr David Montgomery, to inculcate a culture of enterprise and efficiency to "secure consistent earnings growth for the foreseeable future".

UBS powers ahead by 89%

By Ian Rodger in Vienna

UNION Bank of Switzerland, one of the world's strongest commercial banks, has reported an 89 per cent jump in net income to SFr1.29bn ($845m) in the first half.

The bank said the result demonstrated its "exceptional earning power", as buoyant securities and volatile foreign exchange markets combined with favourable interest rate trends.

It also expected a "very good result" in the second half, although it would be "hazardous" to predict that it would match the first-half.

The interim profit enabled UBS comfortably to surpass its mid-1990s target of achieving a 10 per cent return on equity. With a return of about 13 per cent, it is one of the world's most profitable big banking groups as well as the soundest.

Its tier one capital ratio of nearly 8 per cent at the end of last year was significantly higher than that of other large commercial banks.

The profit surge was powered by income from trading, which soared 144 per cent to SFr1.55bn. Net interest income gained only 10.9 per cent to SFr1.9bn and commission income was up 18.7 per cent, also to SFr1.9bn.

The contribution of foreign outlets, which are active only in wholesale banking and trading, jumped to 40 per cent of total net income from just over 20 per cent in the first half of last year.

The group said its European region, which is dominated by offices in London, produced about 60 per cent of the foreign contribution, with 20 per cent coming from both North America and Asia.

Thanks to its top credit rating, UBS has become one of the main players in the world's futures and options markets. Its volume of derivative products amounted to SFr2,076bn at the end of June, 25.5 per cent higher than at the end of last year. The average risk on this volume was now equivalent to about 30 per cent of the group's balance sheet risks.

The group's total assets stood at SFr290.7bn, just 9 per cent above the December figure.

Customer loans grew only 3 per cent to SFr155.6bn, and most of the growth came from outside recessive Switzerland.

Provisions of SFr1.07bn were made for bad loans, a third up on the same period last year, which was "causing some concern". But UBS's reference to "our conservative policy" and its description of the provisions as "generous" signalled that it was, as usual, stuffing away as much as possible.

Observer, Page 13

Peril of losing touch with the real world

Share prices are soaring despite gloom in industry. Tony Jackson asks if the UK market is heading for a fall

The two headlines on the front page of yesterday's FT said it all. *Manufacturing recovery wavers*, said the first. *FT-SE 100 breaks 3,000 level*, added the second. To the outside eye, the stock market often seems to live in an unreal world. In a week of gloomy industrial news and soaring share prices, the sense of divergence has become acute.

For the market, the reasons for feeling cheerful are simple enough. Britain's exit from the ERM last September was good news because it meant lower UK interest rates and lower sterling. The collapse of the ERM was even better, as it meant that other European countries – Germany of course excepted – could cut interest rates as well. With luck, that would allow Britain to cut its rates still further.

In theory, the effect of this on equities is twofold. First, lower returns on cash mean that savers switch into equities. Second, lower interest rates provide an economic stimulus, especially in continental Europe. The outlook for European exports had been a matter of growing concern for UK manufacturers, as expressed by the Confederation of British Industry shortly before the ERM's collapse.

The market's apparent divorce from reality is characteristic of economic turning points

The snag about all this would be if the markets started worrying about the resurgence of inflation. But the opposite seems to be the case. The UK government bond market has been roaring away in recent weeks, to the extent that the UK's nightmarish budget deficit looks like being funded well ahead of expectations.

Back in the real world, on the other hand, nothing whatever has happened. Interest rates have not come down significantly, in the UK or elsewhere in the EC. The economic data remain mixed and confusing.

In the UK, for instance, it was announced yesterday that the recent fall in unemployment was last month marginally reversed. Car sales across Europe fell by 20 per cent last month. Truck sales in the UK fell 11 per cent.

And companies have, on the whole, been gloomy about the outlook. On Tuesday BOC, the industrial gases giant, said business with its basic industrial customers around the world remained tough, and that profits would be down for the year. Yesterday Rothmans, the tobacco and luxury goods group, said it was still seeing "recessionary trading conditions in the major world economies".

This could still all be a matter of timing. It is the function of the market to discount the future, and its apparent divorce from reality is characteristic of economic turning points. This leaves two further questions: whether the market's expectations are right and whether it is putting the right value on them.

Less bullish analysts have pointed out that the price-earnings ratio of the London market – one of the simplest methods of valuation – is now at around the same level as in October 1987, just before the crash. The more bullish response is that the outlook is wholly different. In 1987, the market was right to be alarmed about the coming recession. Now, with luck, it is right to expect an economic upturn and a corresponding surge in profits.

As for valuation, it helps to step back and consider the broader context. In the long run, it seems unlikely that the market can outpace economic growth. Share prices cannot rise faster than the dividends which give them their value, nor can dividends rise faster than the profits from which they are paid. Profits, in their turn, can scarcely rise faster than the economy, as that would mean shareholders winning consistently at the expense of someone else. Profits may at times lose ground and then regain it, as happened in the 1970s and 1980s. But on a long view, this ought to amount only to fluctuations around the economic trend.

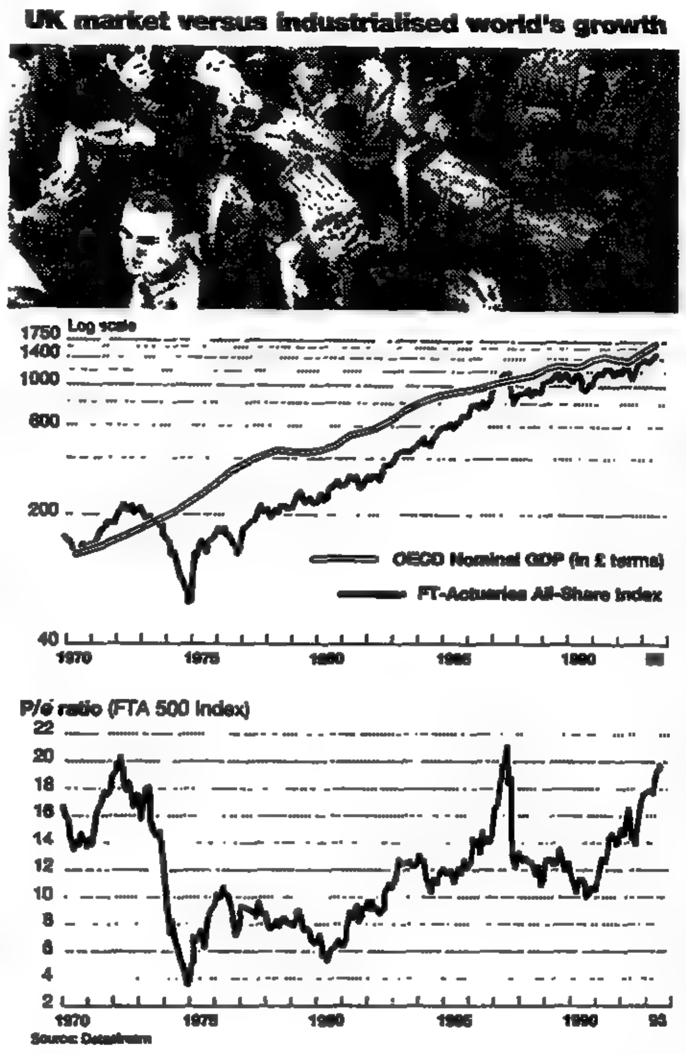
The upper of the two accompanying charts shows GDP in the developed economies of the OECD, expressed in current sterling, along with the FT All-Share Index. The OECD is chosen because of the international nature of British quoted companies. GDP is shown in current rather than real terms to give effect to inflation, as share prices do.

The implications are on balance reassuring. The index rose above the economic trend line in the early 1970s, before the horrendous bear market of 1973-74. It rose through it again briefly in 1987, just in time for the October crash. Now, despite its recent strength, it is still below the trend. This is partly because sterling's devaluation has jacked up the value of the world economy in sterling terms. But it has also jacked up the sterling value of Britain's overseas earnings, so the comparison remains fair.

In the short run, there is obviously a risk that the good news which the market expects will be slow in arriving, so that the excitement of recent weeks evaporates. But again, that is merely a matter of timing.

The more fundamental question raised by this week's headlines is whether the market has taken leave of its senses, as it did in the summer of 1987. Judging by the chart, the answer is no. Or at any rate, not yet.

UK market versus industrialised world's growth



Source: Datastream

Papuan threat to RTZ disposal

By Kenneth Gooding, Mining Correspondent

RTZ Corporation's $108m plan to reduce its shareholding in the Lihir gold project in Papua New Guinea – the largest known gold deposit outside South Africa – was under threat yesterday from the PNG government.

Mr Paias Wingti, PNG's prime minister, said the proposed sale by RTZ of part of its 80 per cent share in the project to Niugini Mining and Venezuelan Goldfields, a small Canadian prospecting company, was "in flagrant violation" of his government's decision to take a 50 per cent stake.

Previously the PNG government had indicated it wanted 30 per cent of Lihir but Mr Wingti said that RTZ had been informed in May that it would take 50 per cent and then hand on 20 per cent to a suitable partner.

RTZ, the world's biggest mining company, said some aspects of Mr Wingti's statement came as a "surprise" and it was "considering its position". It would discuss the situation with Niugini Mining, based in Port Moresby the PNG capital, and with Vengold.

Mr Wingti said: "This decision has been forced on the government by the inordinate delays and procrastinations which have taken place over the last 10 years."

RTZ had repeatedly told the government that Lihir was not a viable project. "We in turn have now informed them that my government has sufficient confidence in the property to retain 50 per cent."

The Malaysian Mining Corporation recently said it had been offered 20 per cent of Lihir by the PNG government. Yesterday Mr Masket Iangalio, PNG mines minister, said MMC had offered to fund the government's 30 per cent stake in Lihir and MMC officials would shortly visit the Lihir site, in the crater of an extinct volcano.

RTZ said it had not talked to MMC.

The affair threatens to be embarrassing for RTZ, which prides itself on being able to negotiate effectively with any government.

The dispute is likely to damage PNG's reputation with investors. Since Mr Wingti's government was elected last year it has been involved in serious disputes over the Porgera and Mt Kare gold mines.

Dunhill warns on currency

By Andrew Bolger in London

A PROFITS warning from Dunhill Holdings and the cost of the luxury goods group's foreign exchange policies yesterday cast a cloud over the corporate restructuring proposed by Richemont of Switzerland.

Richemont, controlled by the Rupert family of South Africa, wants to split off its tobacco arm, Rothmans International, and combine its two luxury goods units, Luxco and Dunhill, into Vendôme. Dunhill is 57 per cent-owned by Rothmans.

Dunhill said that because 95 per cent of its business arose outside the UK, it hedged future income up to 30 months ahead.

Currency movements – notably the strengthening of the yen – meant its sterling profits for 1993-94 and 1994-95 would be £19m ($27.9m) and £13m lower than they would have been without the hedging.

Operating profits were also likely to fall this year.

Details, Page 17; Lex, Page 12

Pilkington sells stake to NSG

By Maggie Urry in London

PILKINGTON, the UK glassmaker, is selling a 20 per cent stake in Triplex Safety Glass, its UK automotive glass subsidiary, to Nippon Sheet Glass of Japan for £13.3m ($19.5m).

Pilkington shares rose 5p to 149p.

NSG, the second largest flat and safety glassmaker in Japan, bought a 20 per cent stake of Pilkington's US glass business, Libbey-Owens-Ford, in 1989 for $350m.

Mr Roger Leverton, Pilkington chief executive, said the Triplex deal was of great strategic importance. NSG was a leading supplier to Japanese carmakers in its home market.

"We are trying to underpin the already substantial business we have with Japanese transplants [Japanese-owned car factories] in the UK. The relationship with NSG in the US has been very successful in strengthening our links with Japanese customers there. We want to do the same in Europe," he said.

In the US, LOF supplied a "significant" part of the glass for Japanese plants including Toyota, Nummi, Nissan and Honda.

Pilkington is already a leading supplier to Nissan and Toyota in the UK, with 25 per cent of Triplex's sales going to Japanese manufacturers. Triplex has been nominated as the glass supplier for the Nissan Micra.

As well as Nissan in Sunderland, Toyota in Derby, and Honda in Swindon, Mazda is looking at building a plant in Europe.

A second motive for the link, Mr Leverton said, was a technology agreement with NSG, which is expected to improve efficiencies and cut costs at Triplex.

Enhanced profits at Triplex as a result of the deal should more than compensate Pilkington for its reduced stake.

The deal price of £13.3m – valuing Triplex as a whole at £66.5m – represented a "reasonable" premium to net asset value, he said, which would benefit Pilkington's balance sheet. One analyst said it was "a drop in the bucket" given Pilkington's high gearing.

Triplex, which has production sites in St Helens, Lancashire, and Kings Norton, Birmingham, has an annual turnover of £80m.

Lufthansa back into profit as cost-cutting takes effect

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, returned to the black in the second quarter of this year with a small pre-tax profit of DM24m ($13.9m) as its cost-cutting programme started to show results.

It said that some DM1bn had been saved since the wide-ranging recovery programme began last August. This included staff cuts, curbs in pay rises, more flexible pay structures and working agreements, and a streamlining of its operations.

But the company, which is 51 per cent state-owned, made a loss in the first half, although much reduced at DM221m. This compares with a pre-tax loss of DM542m in the same period of 1992.

The airline said the real improvement in its first-half result was DM147m. The other DM174m represented the effect of changes in the method of depreciation introduced in the second half of last year.

"The gap between earnings and expenditure is slowly narrowing," Lufthansa said. Total spending was 5.5 per cent lower in the first half, with labour costs down 8 per cent.

Passenger numbers rose by 4.6 per cent in the first six months to 14m, with freight just 0.7 per cent higher at 564,000 tonnes. However, revenues from flight operations were 0.6 per cent down at DM6.9bn. Lufthansa said prices were still under pressure from "excess worldwide capacity coupled with fierce and, at times, ruinous competition".

In the second quarter, the average price paid by passengers was about 8 per cent less per kilometre than a year earlier, with cargo yields 6 per cent lower.

Lufthansa said the number of its flights fell by 3.6 per cent in the first half, while demand was 7.4 per cent higher, both expressed in tonne-kilometres. The revenue load factor was 4.3 percentage points higher at 67.4 per cent; the seat load factor was up by 4.2 percentage points at 64.3 per cent.

KLM holds out against pressure on margins

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines reported a small increase in net profit for the 1992-93 first quarter in spite of pressure on margins caused by a shift in demand to tourist class seats.

The increase, to Fl 40m ($20.5m) for the April-June period from Fl 38m a year earlier, is due mainly to the fact that KLM no longer carries the losses of its 20 per cent-owned US airline, Northwest, on its books.

Another factor was a 14 per cent drop in wages and related costs, due in part to a "premium holiday" on contributions to the airline's pension fund.

Mr Pieter Bouw, chairman, told the annual shareholders' meeting that talks on forming an alliance with SAS, Swissair and Austrian Airlines were continuing.

The airlines hoped to sign a memorandum of understanding in September, with a definitive agreement expected before the year-end, he said.

In the first quarter, passenger numbers rose but this was offset by the trend away from first class and business seats in favour of cheaper tourist fares.

The airline is planning to phase out its first class cabins and to improve the quality of business class instead.

Total traffic, measured in ton-kilometres, rose by a healthy 14 per cent, but traffic turnover fell by 3 per cent to Fl 1.8bn. Total turnover was down 4 per cent at Fl 2.1bn, outstripping a 3 per cent decline in total expenses to Fl 1.96bn.

Margins were also under pressure from price wars and the strength of the guilder, and operating profit fell to Fl 151m from Fl 182m. But this was compensated for by the narrowing in losses from minority-owned airlines to Fl 7m from Fl 61m, following KLM's decision to write down the value of its Northwest investment to zero last year.

Ferfin shareholders feel the breeze

By Haig Simonian

THE COLLAPSE in the equity of Ferruzzi Finanziaria (Ferfin), the heavily-indebted Italian holding company, is already having repercussions on some of its biggest shareholders.

Mediobanca, the merchant bank leading the committee of Ferfin's biggest creditors, is most exposed. Its 3.5 per cent stake in Ferfin, valued at L123.3bn ($76m) at the end of last year, is now worth a fraction of that amount.

Based on yesterday's official share price in Milan of L224.40, Mediobanca's holding is now worth little more than L9bn. Based on the proposed new nominal share price for Ferfin's for just L5 rather than L1,000 at present, the holding would be worth a meagre L204m.

Chaotic scenes on the bourse yesterday exposed the difficulties of valuing Ferfin's stock, which was readmitted to trading after being suspended on Tuesday. With the write-down imminent, even hardened analysts were unsure of the "real" value of Ferfin with total borrowings of L28,838bn and losses of L1,165bn in the first five months of this year.

Sai, a big insurance group, and Generali, Italy's biggest insurer, also face a collapse in the value of their Ferfin holdings. Sai owns 2.46 per cent, while Generali has 2.33 per cent.

The stock market yesterday took some account of that, marking down the shares of all three of Ferfin's main shareholders. Mediobanca slipped almost 1 per cent to L16,129, while Generali fell by 0.78 per cent to L39,972 and Sai dropped 0.34 per cent to L22,892.

Leading sufferers from the collapse in values are members of the Ferruzzi family, which owns about 48 per cent of Ferfin through the Serafino Ferruzzi family holding company. Their stake, formerly believed to be on the books at L1,690bn, is worth far less now.

Some Italian analysts are now wondering how much the family knew about the grave financial irregularities and kickbacks to politicians allegedly made by the group. For many of the 48,000 small shareholders in Ferfin, seething at the plunge in the value of their holdings, the fact that the Ferruzzis have suffered the same fate is small recompense.

Elkem returns to the black in second quarter with NKr96m

By Christopher Brown-Humes in Stockholm

ELKEM, the Norwegian light metals producer, has announced its first quarterly pre-tax profit before extraordinary items for three years due to cost-cutting, lower energy taxes and a stronger dollar.

The NKr96m ($12.85m) second-quarter profit helped the company rebound to a NKr61m pre-tax profit in the first half from a NKr189m loss in the same 1992 period.

It confirms that the company is recovering following last year's crisis refinancing, although the market outlook for many of its products remains uncertain.

Net sales in the first half fell to NKr3.78bn from NKr3.82bn, but the effects of a cost-cutting drive were apparent in the fall in operating costs to NKr3.44bn from NKr3.59bn. Staff numbers have been cut by around 1,000 to 5,700 over the past 18 months.

Group financial expenses were also lower at NKr186m, compared with NKr203m.

Interest payments have fallen in line with a sharp reduction in net debt, which at June 30 was NKr3.3bn, NKr1.2bn lower than at the start of the year.

The company was also able to book NKr60m back into its accounts as the cost of withdrawing from high temperature waste treatment has proved less than expected.

Elkem said ferro-alloy exports from the CIS and China were continuing at high levels, adding to uncertainties over future price levels.

It also warned that western steel production may not continue to show the same level of growth it displayed in the first half.

Turkey to place stakes in state groups with foreign investors

By John Murray Brown in Ankara

TURKEY is for the first time to place blocks of shares in state companies directly with foreign investors.

The Public Participation Administration, the government agency handling state sales to the public, said that stakes in some 20 companies would be placed with both foreign and domestic institutions at market prices.

The sales, which the PPA hopes to conclude by the year end, are expected to realise around $380m.

The decision to make a secondary offering, rather than block tender or initial public offering, reflects the new urgency attached to the privatisation programme by Mrs Tansu Ciller, prime minister.

Brokers say that the move will allow foreign investors to take a position in some of the large public concerns without disrupting the market, which suffers from a lack of liquidity.

This is the first time that there has been a possibility of significant foreign stakes in some of Turkey's traditional state monopolies.

The sales include 10 per cent of Eregli Iron and Steel, Turkey's flat-rolled steel producer which has a 71 per cent share of the domestic market.

The government is also offering a 15.87 per cent stake in Petrol Ofisi, the petrol retail operation.

This sector has seen cut-throat competition, with oil majors such as British Petroleum, Shell and Elf setting up operations.

Petrol Ofisi recently formed a small marketing joint venture with Agip, the Italian company.

Smaller stakes are offered in Petkim, the petrochemical corporation, and Tupras, the refinery company.

The largest block on offer is the 5 per cent of Tofas, the Fiat manufacturing joint venture which at present market values is worth TL1,600bn ($138m).

Brokers say the PPA is trying to broaden the scope of the privatisation effort ahead of a large sell-off of the important utilities.

Mrs Ciller also restated her plans to sell the telephone monopoly, which is expected to raise $2bn.

Morgan Grenfell, the UK merchant bank, is understood to be advising the government on the sale.

IBM in patent suit against Conner

IBM has filed a patent infringement lawsuit against Conner Peripherals in the Federal District Court in San Jose, California, AP-DJ reports from Armonk.

According to IBM, the suit charges Conner with infringement of nine IBM patents relating to magnetic disk storage technology. The suit seeks both damages for past infringement and an injunction to bar Conner from any further infringement.

IBM said it is also asking the court to declare that certain specific Conner patents are invalid and not infringed by IBM.

Conner Peripherals said it was "disappointed" that IBM chose to take legal action rather than continue attempts to resolve the matter through negotiation.

Joint management for Finnish banks

By Christopher Brown-Humes in Stockholm

SKOPBANK and the Savings Bank of Finland, the Finnish banks, are to come under joint management in a move to streamline their operations and improve efficiency.

The banks have run up heavy losses and are controlled by the Government Guarantee Fund, which has been set up to bail out the country's banking system.

Mr Heikki Koivisto, head of the Government Guarantee Fund, said the move would reduce overlaps between the two banks in treasury activities and corporate banking. Skopbank will concentrate on international business, wholesale banking and large corporate clients, while Savings Bank of Finland will concentrate on the personal sector and small and medium-sized businesses.

Mr Koivisto denied the reorganisation was a step towards a full merger of the two banks, which have so far received a total of FM32bn ($5.44bn) in state support. But he said it would assist in the long-term aim of returning them to the private sector.

Analysts said the move removed speculation that the banks' activities would be split and sold to other Finnish banks.

Savings Bank of Finland was formed last year from a merger of 41 regional savings banks. Skopbank is the central bank of the savings banks.

Carter Holt confident

By Terry Hall in Wellington

THE OUTLOOK for wood pulp was being made worse by the rising value of the New Zealand dollar, Mr Selwyn Cushing, chairman of Carter Holt Harvey, New Zealand's biggest forestry company, told yesterday's annual meeting.

Low international pulp prices were of concern, but there was more optimism about returns from radiata logs and the group was cutting costs.

He said a downward correction in the high prices of radiata pine sawlogs on export markets was inevitable. Radiata pine is the main plantation tree grown in Carter Holt Harvey's forests in New Zealand and Chile. Prices had risen because of stronger demand from Japan and Korea.

Mr Cushing said the company, managed by International Paper of New York, was "uniquely well positioned to move forward with confidence."

Wesfarmers advances

By Bruce Jacques in Sydney

WESFARMERS, the Australian agribusiness group, lifted net earnings by 10.9 per cent to A$70.5m (US$47.6m) in the June year on a 36 per cent sales rise to $A1.7bn.

The annual dividend has been raised from 26 cents to 29 cents a share. The results reflect a full-year contribution from the company's 47 per cent owned associate, Bunnings, the Australian timber group.

Wesfarmers said it benefited from lower working capital requirements which allowed interest expense to fall from A$32.6m to A$27.4m.

But the fertiliser division suffered from Australia's rural recession and directors said the outlook remained subdued. The result excluded abnormal profits of A$3.8m against a A$514,000 loss previously.

Tax provision took A$34m against A$39.5m and depreciation A$68.3m against $A69.1m.

Thomson edges ahead to $78m for second term

By Bernard Simon in Toronto

THOMSON Corporation, the Canadian-controlled travel and publishing group, yesterday reported a slight improvement in second-quarter earnings, but cautioned that a true picture of its 1993 performance would only emerge later in the year.

Net earnings rose to US$78m, or 13 cents a share, from $70m, or 12 cents, a year earlier. Six-month earnings for both years were $23m, or 3 cents.

Second-quarter sales dipped to $1.47bn from $1.53bn, largely reflecting weaker sterling and, to a lesser extent, the Canadian dollar.

The travel division's operating earnings edged up to $31m from $30m, excluding $3m of interest income this year, down from $7m in 1992.

The company said, however, that earnings for the year would largely be determined by results for the high-season third quarter.

Apart from the weak pound, Thomson painted an encouraging picture of prospects for the travel business. Demand for summer 1993 holidays appeared "approximately in line" with available capacity, and "excessive" discounting on brochure prices was unlikely.

Thomson Tour Operations' summer bookings are 14 per cent ahead of last year. Winter bookings are 23 per cent up, partly due to an earlier launch of the programme.

The fortunes of the publishing and newspaper interests are mixed. Earnings at Thomson's UK regional newspapers are "well above" last year, due to rising advertising revenues. But advertising lineage in North America was down 4 per cent in the first half, including a 7.2 per cent drop in Canada. Circulation was also slightly lower.

However, Thomson said sagging revenues were more than offset by lower costs, and that both profits and margins improved.

Professional publishing earnings have been dented by competitive pressures in tax and legal publications and by the impact of the US government's review of pharmaceutical advertising in medical magazines.

Nonetheless, the information and publishing group's operating earnings rose to $78m in the second quarter, from $75m a year earlier.

TWA wins approval to return from bankruptcy

By Nikki Tait in New York

TRANS World Airlines, the US carrier, has won approval from a Delaware bankruptcy court for its "plan of reorganisation" after a day of hearings.

This should allow the company to emerge from Chapter 11 bankruptcy protection within the next few weeks.

TWA entered bankruptcy in early 1992, when the company was still owned by Mr Carl Icahn, the US financier.

Mr Glenn Zander, one of two co-chief executives at TWA, told the court that the airline's performance was consistent with projections contained in its reorganisation plan, and claimed that the airline would be viable if it returned from bankruptcy.

The carrier has yet to decide where it would base its ongoing operations but it was expected to announce yesterday that it would go to St Louis, its main hub airport. TWA has been operating from Mount Kisco, New York.

Under the reorganisation, equity ownership would be split between employees, in return for wage concessions, and creditors, in exchange for debt forgiveness.

● USAir, in which British Airways holds a minority stake, is acquiring five gates at Orlando airport in Florida from United Airlines, the larger Chicago-based carrier.

USAir added that it planned an agreement with United, under which the two carriers would provide code-sharing flights from areas in the north-eastern US to Miami, and then on to Latin America.

Canadian forestry shaken to its roots

The industry faces another bout of upheaval, say **Bernard Simon and Robert Gibbens**

ANY industry which has racked up losses of C$4bn (US$3.1bn) in less than three years is bound to feel some after-shocks. In the case of Canada's forestry sector, the upheaval is shaking many of the biggest companies to their roots.

Further evidence of the industry's structural shift came this week with the decision by Canadian Pacific, the transport and energy conglomerate, to unload its entire 61 per cent stake in its loss-making pulp and paper subsidiary, CP Forest.

CP Forest joins a growing list of forestry companies emerging from the sheltered embrace of a controlling shareholder into the more bracing environment of a widely-held public company:

● Earlier this year, Toronto's Bronfman group spun off its controlling interest in MacMillan Bloedel, the biggest west coast forestry company;

● An 82 per cent stake in Abitibi-Price, one of North America's biggest newsprint producers, is in the hands of an international banking consortium after the collapse of Olympia & York, the real estate developer. O&Y had pledged the shares as collateral for a large loan. According to one analyst, at least one of the banks has started selling Abitibi shares into the market;

● New Zealand's Fletcher Challenge is cutting its stake in Fletcher Challenge Canada from 72 per cent to 51 per cent;

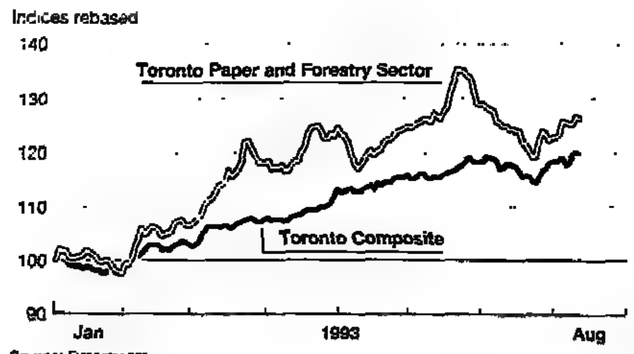
● After 80 years as a wholly-owned subsidiary of the Chicago Tribune, Quno, an Ontario-based newsprint maker, is now a publicly-traded company in which its former parent has a 49 per cent stake.

Meanwhile, a handful of smaller lumber producers have gone public, taking advantage of rocketing timber prices earlier this year.

The shake-out is not over. Mr Ken Copeland, director of syndication at Nesbitt Thomson, the securities firm which led the underwriting group for the CP Forest deal, says that "if you're a private company and you ever thought about going public, the market is very receptive."

Stone Container of Chicago has given notice of plans to spin off part of wholly-owned Stone-Consolidated, a Montreal-based newsprint producer.

Mr Richard Kellertas, analyst at McLean McCarthy in Montreal, says that other groups which may be set adrift by key shareholders include Weldwood, controlled by the US group Champion International; Crestbrook Forest Industries, in which Mitsubishi of Japan has a 25 per cent stake; and Domtar, the papermaker controlled by the Caisse de Depôt et Placement, the Quebec public-sector pension fund.



Source: Datastream

The turbulence fits a pattern seen in previous cycles in the forestry sector. Parent companies, many of them laden with debt and strapped for cash, have become unable and/or unwilling to keep supporting subsidiaries through quarter after quarter of red ink.

CP Forest, for instance, has been a significant drag on Canadian Pacific, pulling down its operating income by C$91.2m in the first six months of this year, and C$152.7m a year earlier.

Companies such as CP, Stone and Fletcher Challenge are now running out of patience as they come under pressure from bankers and investors.

Prices of newsprint and pulp, the staples of the Canadian forestry industry, are still in the doldrums.

While newsprint producers are crossing their fingers for a modest recovery later this year, pulp mills have reconciled themselves to a weak market well into 1994.

Many companies' financial strength will continue to be sapped even when the recovery gets underway. Keeping pace with increasingly stringent environmental laws will require heavy spending on recycling and pollution abatement equipment.

In contrast to disenchanted parent companies, outside investors are attracted by what may prove to be bargain share prices once commodity markets improve. The Bronfmans' sold their MacMillan Bloedel shares last March for C$17.50 apiece. Earlier this week, they were trading at C$22.62.

The transformation from a closely-held entity to one with a widely-dispersed group of public shareholders is also likely to create turbulence within many companies.

CP Forest is among those renowned for its slow-moving management. The pressure to perform is now likely to intensify. As Mr Kellertas puts it, these companies "now have a lot of shareholders to answer to, and shareholders typically vote with their feet if they're not happy."

MacMillan Bloedel has already responded by launching a far-reaching review of its businesses. The review, to be completed around the end of this year, could result in a more focused business strategy.

Wide ownership may turn out to be only the first stage of a drawn-out process of change in the industry. Over the next year or two, a wave of mergers, takeovers and asset disposals could separate the trees from the saplings.

Coles Myer details plan for expansion

By Bruce Jacques in Sydney

COLES MYER, the Australian retailing group, has announced plans to spend A$4.15bn (US$2.8bn) over the next five years on a store expansion plan aimed at lifting sales and margins.

Mr Peter Bartels, chief executive, said yesterday that the programme – the largest retailing expansion in Australia – would involve building 421 new stores, refurbishment of 1,136 others and the expansion and construction of more than 12 shopping centres.

"The investment programme is a major plank in our strategy to maximise future profitability and returns to shareholders," Mr Bartels said, adding that it would be financed entirely from internal funds.

Mr Bartels said experience had shown that new and refurbished stores produced sales increases of between 10 per cent and 30 per cent, improving investment returns.

Analysts yesterday saw the move as a strategic manoeuvre to regain some initiative from recently-floated retailing rival, Woolworths, which has exceeded Coles Myer's sales growth figures in recent years.

Coles Myer shares gained 12 cents to A$4.80 on Australian stock exchanges yesterday.

Seven at 35% premium

SHARES in Seven Network, the Australian television group, were listed on Australian stock exchanges yesterday and closed at a premium on the issue price of more than 35 per cent, writes Bruce Jacques.

The shares, which were issued at A$2, closed at A$2.73 on turnover of more than 16m after the A$600m (US$410m) float was heavily oversubscribed and closed one week early.

It was the second large Australian flotation in as many months to be overwhelmed by investors, with the A$2.45bn Woolworths offer resulting in subscriptions of more than A$5bn.

Major beneficiaries of Seven's strong debut are the company's two major shareholders, News Corporation, the Australian media group, with 15 per cent, and Telecom, the Australian communications group, with 10 per cent.

Seven demonstrated the strategic value of the News shareholding on Wednesday with a programming coup, securing access from next year to programmes from the News-controlled Fox Television in the US.

These programmes, which potentially include The Simpsons, are on contract to the rival Ten Network in Australia.

Murdoch sells his holding in Hungarian paper

By Raymond Snoddy

MR RUPERT Murdoch, chairman of News Corporation, has sold his stake in the Hungarian newspaper Mai Nap to the Bank of Credit of Hungary, the paper's co-owner.

Mr Murdoch bought half of Mai Nap, an evening tabloid, for $3m and had a let-out clause after three years – which he has now exercised in order to get his original investment back.

It is believed that the main reason behind the decision to pull out was the fact that News Corp was unable to gain control of the publishing company.

The decision comes a year after the closure of Super, a daily tabloid newspaper aimed at the former East Germany, which News Corp published in a joint venture with Burda of Germany.

However, News Corp emphasised yesterday that there was no lack of interest in eastern Europe. Television deals were being pursued in the CIS, Poland and the former Czechoslovakia.

Israel to sell 20% of Bank Leumi stake

By David Horovitz in Jerusalem

THE Israeli government yesterday announced the sale of 20 per cent of its shares in Bank Leumi, the country's second-biggest bank. The move comes less than two months after it sold 16.5 per cent of its shares in Israel's biggest bank, Bank Hapoalim.

The Bank Leumi sale, approved by the Knesset finance committee yesterday, is due to take place this month.

The offer is expected to raise between Shk850m and Shk1.1bn ($298m to $386m).

The Hapoalim sale was 120 times oversubscribed, and analysts believe the Leumi offer will also be heavily oversubscribed.

Indeed, several finance committee members initially expressed opposition to the offer, arguing that the sale price was being set too low, and senior management were being offered overly generous share purchase schemes.

The sale emphasises the Labour-led Israeli government's commitment to divesting the state of its majority holdings in all Israel's major banks, acquired after the October 1983 bank shares collapse.

In a second privatisation plan unveiled yesterday, Israel Aircraft Industries said it would this year be offering 25 per cent of the shares in its wholly-owned Elta electronics subsidiary for sale on the Tel Aviv stock exchange.

IAI, one of Israel's largest companies, has been hit hard by the worldwide downturn in defence spending. It has failed to make an entirely successful transition into non-military alternatives, and recently said it would have to cut 1,500 of its 16,100 staff.

Elta develops, manufactures and markets radar, electronic warfare, communications and information systems and is one of the jewels in the IAI crown. Sales in the first quarter of 1993 amounted to $72m, following 1992 sales of $257m.

The Gap falls 24% to $28.7m

By Nikki Tait

THE GAP, the fashion store group which until last summer was one of the most promising companies in the US retail sector, yesterday revealed that after-tax profits plunged by 24 per cent, to $28.7m, in the second quarter of the current financial year.

Total sales in the three months to end-July increased by 13 per cent, to $693m.

However, this was due largely to expansion: at the end of the quarter, The Gap was running 1,350 stores – including 286 GapKids outlets and 170 Banana Republic shops – compared with 1,265 last year.

The San Francisco-based company said that same-store sales rose by just 1 per cent for the quarter.

The latest results leave The Gap posting after-tax profits of $70.2m in the first six months, down from $83m at the same stage last year. Sales for the first half were $916.6m, compared with $792.5m.

Mr Donald Fisher, chairman, blamed a difficult retailing environment, and said that lower merchandise margins and higher occupancy costs were largely responsible for the decline in profits.

He added, however, that The Gap had been trying to rein in expenses and stocks, noting that the company was holding 8 per cent less merchandise at the end of the quarter compared with a year ago.

Johnson & Johnson to shed 3,000 jobs

By Richard Waters in New York

JOHNSON & JOHNSON has followed other US healthcare companies in announcing big staff cuts in the face of pressure on drugs prices.

The company said this week it expected to shed 3,000 jobs this year, 1,000 of them through voluntary redundancies. The $200m cost has already been provided for in a reserve set up last year.

The compulsory job losses will come through moves to streamline administrative and other functions. However, the company said it had no plans to abandon its decentralised structure, involving 28 operating companies in the US alone.

Analysts said the job losses, from a total of 84,000, would have little impact on overall costs. "If they really want to concentrate on cost-cutting, they will have to look again at their whole philosophy of decentralisation," said Mr Glenn Reicin, an analyst at Oppenheimer in New York.

Operating companies will decide for themselves whether to implement the voluntary redundancy plan.

All of the voluntary redundancies and most of the compulsory lay-offs will come in the US. Job losses abroad will come from factory closures in France and Brazil, as well as the consolidation of several European medical businesses.

Other drugs companies that have announced job losses this year include Warner Lambert and Bristol Myers-Squibb, while Merck recently said that 2,100 had accepted its voluntary redundancy plan.

Ontario court ruling deals blow to PWA

By Robert Gibbens in Montreal

PWA, parent of Canadian Airlines International, has suffered a setback in its attempt to gain a vital C$246m (US$189m) equity injection from American Airlines.

The Ontario Court of Appeal has rejected PWA's attempt to have the Gemini reservations system declared insolvent. This would have allowed Canadian to switch to American's Sabre system – a condition of American's equity investment.

PWA is also asking the Federal Competition Tribunal to free it from Gemini, and has offered its partners in the system – Air Canada and a group of US airlines – a C$20m settlement.

Mr Rhys Eyton, PWA chairman, appealed to the federal cabinet to intervene and force a negotiated settlement between Canadian and its Gemini partners. However, Air Canada replied that it would not negotiate the winding-up of the reservation system.

PWA would not say whether it will take the Gemini issue to the Federal Court of Appeal.

● Confederation Life, one of Canada's top four life companies, is looking for a capital infusion, after raising C$240m earlier this year with a European debenture issue.

Mr Paul Cantor, president, said the company was looking at several options, including a preferred stock issue, converting the mutual into a public shareholder-owned company and finding a partner.

Canada's "big six" chartered banks are considered potential strategic partners.

INTERNATIONAL CAPITAL MARKETS

Pressure on sterling hits gilts during heavy profit-taking

By Tracy Corrigan in London and Patrick Harverson in New York

EUROPEAN bond prices were volatile yesterday, as some markets came under selling pressure from profit-takers, while others proved susceptible to movements in the foreign exchange market.

Dealers said most markets had been ready for a correction after advancing strongly in recent weeks. According to Mr Kit Juckes, an economist at SG Warburg, 10-year bond yields have fallen 40 basis points in Germany, 47 in France, 56 in the UK, and 136 in Italy since the beginning of July.

GOVERNMENT BONDS

■ GILTS proved particularly turbulent as sterling came under pressure following the release of a disappointing batch of economic data which showed that manufacturing output fell 2.1 per cent in June and unemployment rose for the first time since January.

The gilt future on the London International Financial Futures & Options Exchange (Liffe) opened half a point higher and rose to 113¼ before declining rapidly. However, after hitting a low of 11[illegible], it recovered to end at 112⅝, more than a point down on the opening. Dealers said there was technical support for the future at this level.

They said the declines were partly due to heavy profit-taking by domestic institutions. The market has staged a strong rally in recent weeks, advancing from 108½ two weeks ago and 110⅝ a week ago.

"The main risk to the gilts market is that overseas demand will dry up," said Mr Jonathon Davies, an analyst at UBS. Consequently, the weakness of sterling is of concern, as foreign investors tend to buy gilts when they are bullish on the currency as well as the bond market.

However, the Bank of England sold its latest gilt taps without apparent difficulty.

■ FRENCH bond prices ended up about ¼ point, while the French notional bond future on the Matif in Paris closed at 122.82, up 0.18 point.

The market had reached a high of 122.88, close to its psychological target of 123.00. However, once the future breaks through that level, it could lose some of its impetus, analysts said.

It was announced yesterday that France's July provisional consumer price index rose a seasonally-adjusted 0.1 per cent, to 0.2 per cent on the month. This was a benign number for the market as tax changes had made little impact.

However, inflation is not the current worry for the French market: of more concern was the pressure on the franc, and fears the government might see any currency weakness as a reason to delay rate cuts.

The market was hoping for little fresh encouragement from an address by prime minister Edouard Balladur on French television last night.

"The general stance seems to be to talk tough and ease rates quietly," one analyst said.

■ SURPRISINGLY good inflation news pushed US bond prices further into record territory yesterday morning.

By midday, the benchmark 30-year government bond was up $\frac{6}{32}$ at 109$\frac{11}{32}$, yielding 6.389 per cent, a new low. At the short end of the market, the two-year note was up $\frac{4}{32}$ at 100$\frac{5}{32}$, to yield 4.016 per cent.

Prices surged, especially at the long end, after the commerce department announced that its index of producer prices fell 0.2 per cent in July.

Analysts had been expecting a modest increase in the PPI. The "core" measure of inflation, which excludes the volatile food and energy components, was also unexpectedly weak, registering only 0.1 per cent increase last month.

Even the most bullish of inflation forecasters were surprised by the data, and the news prompted heavy buying of bonds.

The day's other economic data – a 0.1 per cent rise in July retail sales – was also indicative of a weak economy, and provided an additional boost to prices.

■ GERMAN bond prices ended virtually unchanged after an unusually volatile session, when the trading range widened to 40 basis points.

The bund future closed at 97.42, having reached a high of 97.63. However, the future is now heading off into new territory, and it there may be some resistance to the market breaking through to new highs, without some sign of action to ease rates.

■ IN THE Japanese market, the yen reached new highs, fuelling speculation that an interest rate cut was on the way, as the Bank of Japan eased conditions in the money market.

Bond prices rallied more than half a point, and the benchmark No 145 government bond yield breached the psychological 4 per cent barrier to end at 3.97 per cent.

■ THE Italian bond market again out-performed other markets, as dealers continued to reassess their views on the market, now widely viewed as having been heavily oversold.

Dealers said the currency was holding up reasonably well, and more positive sentiment on the inflation outlook is fuelling foreign interest in the market. Ten-year Italian bond prices rose a further ¾ point yesterday, but yields are approaching the 10 per cent level, which could provide resistance.

However, Italy and Spain are now the only mainstream European markets offering 10-year yields above 8 per cent.

FT FIXED INTEREST INDICES

	Aug 12	Aug 11	Aug 10	Aug 9	Aug 6	Year ago	High *	Low *
Govt Secs (UK)	101.71	101.93	101.05	100.83	100.39	87.98	101.93	93.28
Fixed Interest	122.58	122.31	121.63	121.44	121.18	104.19	122.58	108.67

Basis 100: Government Securities 15/10/26; Fixed interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 122.58 (12/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 11	Aug 10	Aug 9	Aug 6	Aug 5
Gilt Edged Bargains	141.4	117.4	123.7	139.6	141.0
5-Day average	132.6	129.4	142.9	142.9	142.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.1403	-0.085	6.83	6.89	7.11
BELGIUM		9.000	03/03	113.0500	-0.050	7.08	7.02	7.01
CANADA *		7.500	12/03	103.4250	-0.405	7.03	7.09	7.16
DENMARK		8.000	05/03	109.1750	+0.425	6.69	6.93	6.96
FRANCE	BTAN	8.000	05/98	109.4265	-0.048	5.66	5.82	6.17
	OAT	8.500	04/03	115.5200	+0.260	6.30	6.60	6.78
GERMANY		6.750	04/03	102.9600	+0.040	6.33	6.42	6.54
ITALY		11.500	03/03	110.2250	+0.785	10.06†	10.46	11.00
JAPAN	No 119	4.800	06/99	105.1690	+0.351	3.72	3.85	3.99
	No 145	5.500	03/02	109.8137	+0.663	3.97	4.16	4.26
NETHERLANDS		7.000	02/03	105.7900	-0.190	6.17	6.25	6.42
SPAIN		10.300	06/02	104.7946	+0.058	9.46	9.85	10.23
UK GILTS		7.250	03/98	103-22	-7/32	6.31	6.44	6.73
		8.000	06/03	107-12	-17/32	6.95	7.18	7.50
		9.000	10/08	114-16	-20/32	7.39	7.62	7.93
US TREASURY *		6.250	02/03	103-20	+13/32	5.75	5.86	5.75
		7.125	02/23	109-12	+19/32	6.41	6.53	6.62
ECU (French Govt)		8.000	04/03	107.9800	-0.090	6.84	7.08	7.13

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Taiwan eases rules on forex dealing

By Dennis Engbarth in Taipei

TAIWAN will allow foreign and local brokers to enter the island's foreign exchange market, the Central Bank of China (CBC) announced yesterday.

In a move which signals the end of a monopoly on forex brokering by the non-profit-making Taipei Foreign Exchange Market Development Foundation, the island's central bank has issued a set of rules, which took effect on August 11.

A CBC official said the move was partly aimed at attracting overseas brokerages to the market and so give the island access to worldwide forex marketing networks.

This, in turn, would help Taiwan's plans to develop into an international financial centre.

Under the new rules, overseas forex brokers will have to be limited liability stock companies. They will be able to set up branches in Taiwan with a minimum capital of T$100m (US$3.7m). Local brokers will face a similar capital requirement.

Overseas investors will be able to hold up to 50 per cent in Taiwan forex brokerage houses. The rules also limit local monetary institutions to a maximum 10 per cent investment in any single brokerage, and a 20 per cent limit on holdings by other local investors.

The central bank did not plan to impose restrictions on the number of overseas or Taiwan brokers allowed to enter the market.

Denmark returns with SFr1bn issue

By Antonia Sharpe

THE KINGDOM of Denmark yesterday satisfied expectations by launching its second large bond offering in as many weeks. However, it surprised the market with its decision to borrow in Swiss francs rather than French francs.

INTERNATIONAL BONDS

Mr Niels Sorensen, head of the foreign debt department at Denmark's National Bank, said he had decided on Swiss francs because that currency was under-represented in the bank's debt portfolio.

However, Mr Sorensen said any further borrowing could well be in French francs. "It is likely that we will be borrowing again in the not too distant future," he said.

The proceeds from yesterday's SFr1bn six-year offering would be used to replenish Denmark's depleted foreign exchange reserves. Last week's record £1.3bn Eurobond offering by Denmark was for the same purpose.

Mr Sorensen said the bank's foreign exchange reserves had fallen to DKr35bn at the start of August, from DKr60bn in July. He blamed this on heavy currency intervention to help restore stability in the European exchange rate mechanism.

In addition to shoring up its foreign exchange reserves, Denmark's National Bank plans to use proceeds from future bond issues to replace its outstanding short-dated debt, which is mainly in the form of commercial paper.

Yesterday's Swiss franc offering by Denmark rivalled the record for a single transaction in the Swiss bond market, set by the Republic of Austria at the end of June.

UBS, the lead manager, said deals of this size took time to absorb. However, it was confident Denmark's entire issue would be placed before the payment date on September 30.

Demand for the paper was predominantly from domestic investors. The bonds, which carry a coupon of 4¼ per cent, were quoted at less 1.85 bid, from an issue price of 101.8, in the afternoon.

UBS also led the other notable deal of the day, arranging a SFr300m seven-year offering for the World Bank. Although the bonds also carry a coupon of 4¼ per cent, the higher issue price of 102 reflected the issuer's superior credit rating. The bonds were trading at less 1⅝ bid in the afternoon.

Expectations of lower interest rates in Switzerland have increased the attraction of the Swiss franc sector, and syndicate managers expect more borrowers to tap this area of the international bond market.

Elsewhere, the Kingdom of Sweden re-opened its successful Ecu500m seven-year deal, and sold a further Ecu100m. The move was aimed at restoring liquidity to the issue.

The joint lead manager, Swiss Bank Corporation, said the original amount, issued on June 2, had been priced to yield 5 basis points over the benchmark 9½ per cent French OAT government bond due 2000.

However, demand from Ecu-denominated funds, central banks and Swiss investors was such that the bonds were yielding 40 basis points below the benchmark bond earlier this week. The new tranche was priced to yield 33 basis points below the OAT.

SBC said it did not expect any further Ecu-denominated deals in the near future because of the lack of swap opportunities.

Meanwhile, the steady stream of German banks tapping the D-Mark sector continued, as Trinkhaus & Burkhardt, the Düsseldorf-based bank, raised DM150m through a seven-year offering.

● Moody's Investors Service, the US credit rating service, said it had lowered the long-term debt rating for Banco di Napoli, Italy's fifth-largest commercial bank, to A2 from A1.

About $750m worth of debt is affected.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Crediop Overseas Bank‡	150	(a)	99.78R	Sep.1998	0.25R	-	Salomon Brothers Intl.
EQK Green Acres Funding(b)‡	118	(b)	99.9R	Aug.1998	(b)	-	Goldman Sachs Intl.
D-MARKS							
Trinkaus & Burkhardt Finance	150	6.25	101.675	May.2000	2.25	-	Trinkaus & Burkhardt
YEN							
Tokai Finance (Curaçao)(c)‡	50bn	(c)	100	(c)	(c)	-	Nikko Europe
Mitsui & Co. (USA)	8bn	3.9	100.39R	Dec.1996	0.35R	-	Sakura Finance Intl.
ECUS							
Kingdom of Sweden(d)	100	7.25	104.86R	Jun.2000	0.3R	-	M.Stanley/Swiss Bk.Corp.
DANISH KRONER							
Oeresundsforbindelsen	500	6.5	102.05	Sep.1998	1.875	-	Den Danske Bank
Kommunekredit	500	6.8	100.456R	Sep.1996	0.25R	-	Morgan Stanley Intl.
HONG KONG DOLLARS							
Intl. Finance Corp.(e)	*750*	*6.555#*	*100.37R*	*Sep.2000*	*0.3R*	-	*Sanwa Intl. HK/ Wardley*
SWISS FRANCS							
Kingdom of Denmark	1bn	4.25	101.8	Sep.1999	-	-	UBS
World Bank+	*300*	*4.25*	*102*	*Sep.2000*	-	-	UBS
ABB Intl. Finance+	100	4.375	101.7	Sep.1998	-	-	Credit Suisse
Rio Chain Co.(f)+Φ	70	0.875	100	Sep.1997	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Private placement. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor + 0.4%. b) Secured by 1st mortgage on shopping mall in New York. Coupon pays 3-month Libor + 0.78%. Callable on any interest payment date at par. Fees undisclosed. c) Undated subordinated issue. Coupon pays the long-term prime rate - 0.15% for years 1 - 5, + 0.1% for years 6 - 10 and + 0.6% thereafter. Callable on coupon dates from August 1998 at par. Fees undisclosed. d) Fungible with the outstanding Ecu500m. Plus 57 days accrued interest. e) Domestic deal. f) Fixing: 19/8/93.

S&P rates $1bn of Disney debt

STANDARD & Poor's, the US credit rating agency, has assigned its double-A-minus rating to Walt Disney's shelf registration of $1bn of senior unsecured debt securities, Reuter reports. It also affirmed its ratings on other Disney debt.

It said the ratings "reflect Disney's well-diversified business mix and distinctive product franchises".

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 12

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9½ 94	200	104¼	105¼		4.03	Arbed 7½ 95 LFr	600	100	101		7.49
AlbertaProvince 9¾ 95	600	109¾	110¼		4.61	Gentinance Lux 9¼ 99 LFr	1000	109½	110½	+1¼	7.02
Austria 8½ 00	400	114½	114⅞	+⅛	5.74	World Bank 8 99 LFr	1000	103	104	+1	6.72

[illegible]

No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	64	12
Other Fixed Interest	3	3	9
Commercial, Industrial	448	208	762
Financial & Property	383	58	367
Oil & Gas	22	14	45
Plantations	1	0	7
Mines	12	54	68
Others	46	49	40
Totals	*920*	*452*	*1,310*

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	-	147	125	Ballyrock	140	-1	-	-	-	-
†150	P.P.	-	165½	[illegible]	British Telecom (PrPaid)	165½	+½	N16.6	1.4	4.4	21.1
100	F.P.	-	117	[illegible]	Celsis Intl.	106	-2	-	-	-	-

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
5	Nil	25/8	¾pm	¼pm	Alliance Res.	¾pm	
40	Nil	13/9	11½pm	2pm	Bardon	10pm	-1
10	Nil	20/8	5½pm	2½pm	Britton	4¼pm	-½
500	Nil	6/9	100pm	80pm	Clyde Blowers	98pm	
127	Nil	13/9	20pm	18pm	Headlam	19pm	+1
19	Nil	6/9	3pm	1¼pm	Marling	1¼pm	-¼
6	Nil	1/9	3½pm	2½pm	Northumbrian Foods	3pm	
120	Nil	16/8	35pm	28pm	Rubicon	33pm	
275	Nil	17/9	31pm	16pm	Sidlaw	28pm	-2
240	Nil	22/9	40pm	38pm	TT Group	40pm	+2

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.

Calls: Aitken Hume, Barcom, Cons. Murch., Goldsmiths, Microfocus, NSM, Rea Bros. and Simon Eng. Puts: Aitken Hume, Goldsmiths and NSM. Puts & Calls: Excalibur and Hanson Wts.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	460	47	65	74	35½	48	57½
(*465)	500	31½	47	57	59	71	79½

[illegible]

August 12 Total Contracts 29,942
Calls 20,172 Puts 9,770
FT-SE Index Calls 3,027 Puts 3,131
Euro FT-SE Calls 1,743 Puts 2,292
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Aug 12	Day's change %	Wed Aug 11	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.96	-0.03	129.00	[illegible]	7.40
2	5-15 years (23)	155.07	-0.33	155.58	[illegible]	8.42
3	Over 15 years (9)	173.46	-0.40	[illegible]	1.81	7.32
4	Irredeemables (6)	202.93	[illegible]	203.00	2.93	7.35
5	All stocks (63)	150.63	-0.25	151.00	1.75	[illegible]
	Index-Linked					
6	Up to 5 years (2)	185.81	+0.09	185.63	0.24	3.41
7	Over 5 years (11)	180.29	-0.36	180.95	0.72	3.20
8	All stocks (13)	179.99	-0.31	180.55	0.66	3.22
9	Debs & Loans (65)	143.39	[illegible]	[illegible]	[illegible]	6.05

	AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 12	Wed Aug 11	Year ago (approx.)
	British Government				
1	Low	5 years	6.38	6.34	8.69
2	Coupons	15 years	7.22	7.17	8.99
3	(0%-7¾%)	20 years	7.34	7.31	8.99
4	Medium	5 years	6.49	6.48	9.56
5	Coupons	15 years	7.36	7.31	9.21
6	(8%-10¾%)	20 years	7.44	7.40	9.13
7	High	5 years	6.70	6.66	9.78
8	Coupons	15 years	7.58	7.55	9.42
9	(11%-)	20 years	7.61	7.58	9.31
10	Irredeemables(Flat Yield)		7.48	7.48	9.25
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.79	2.82	4.44
12	Inflation rate 5%	Over 5 yrs.	3.33	3.30	4.57
13	Inflation rate 10%	Up to 5 yrs.	2.08	2.08	3.74
14	Inflation rate 10%	Over 5 yrs.	3.16	3.13	4.40
15	Debs &	5 years	7.88	7.89	10.83
16	Loans	15 years	8.18	8.20	10.57
17		25 years	8.34	8.36	10.42

Dunhill and Rothmans shareholders receive restructuring plans for the new groups

Richemont spin-offs are confident

By Andrew Bolger

A DOWNBEAT announcement from Dunhill Holdings did not dent the confidence of the other participants in the restructuring of the Richemont empire.

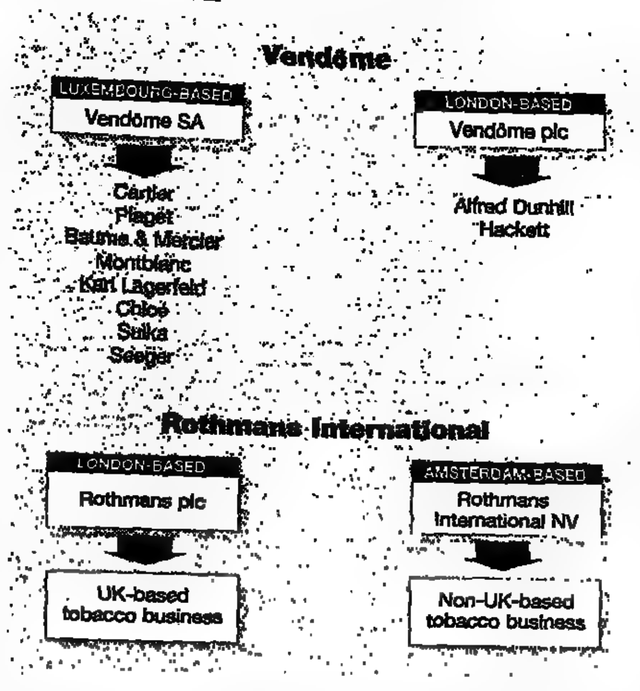
Shareholders were yesterday sent details of the proposed reconstruction of the tobacco and luxury goods businesses into two new quoted companies and the return of surplus cash to the shareholders of Rothmans and Dunhill.

The proposals will result in the creation of two new groups – Rothmans International and Vendôme Luxury Group.

The new Rothmans will comprise all of Rothmans' existing tobacco businesses and certain tobacco trade marks currently owned or controlled by Dunhill or by Richemont with cigarette brands including Rothmans, Dunhill, Peter Stuyvesant, Craven A and Golden American.

Lord Swaythling, chairman of Rothmans, said the company continued to experience recessionary conditions in the main world economies, political uncertainties in certain of its markets and volatility in the currency markets.

The competitive trading environment in a number of cigarette markets also created uncertainties, although the new Rothmans had limited exposure in the US, where traditionally high margins have been eroded by the cigarette price wars.



He said: "The new Rothmans group is, however, expected to benefit from cost-efficiency measures already initiated. While the total volume of cigarette sales in many markets is static or in decline, overall worldwide tobacco consumption is increasing.

"This provides opportunities for international tobacco companies to sell quality cigarette brands, particularly to markets where opportunities for export or local production have been traditionally limited through import restrictions, government policy or lack of convertible currency."

Under the reorganisation, the luxury goods businesses of Dunhill will form part of Vendôme, the Dunhill tobacco trade marks will be transferred to the new Rothmans and £75m cash will be returned to Dunhill shareholders.

Vendôme said it would be one of the world's largest luxury goods groups with a portfolio of premier brands. Its principal brands would be Cartier, Alfred Dunhill and Montblanc, which together accounted for 85 per cent of the sales of Luxco and Dunhill. The combined group's turnover would compromise: jewellery 14 per cent; watches 38 per cent; writing instruments 13 per cent; and leather goods 10 per cent.

Mr Joseph Kanoui, the Swiss chairman and chief executive of Vendôme, said bringing together Richemont's Luxco and Dunhill luxury goods businesses under unified ownership would enhance their ability to shape and take advantage of changes in the industry. He believed the combination of Luxco and Dunhill would produce purchasing, distribution and other savings.

On prospects for Vendôme, he said the strength of its brands and management team, the geographical spread of its sales and the integration of manufacturing and distribution activities should enable it to perform well, in spite of the depressed economic conditions in some of its markets.

The board also believed that an improvement in economic conditions should favour the Vendôme group given that both Luxco and Dunhill have historically grown at rates in excess of the economies of the principal markets in which they operated.

Mr Kanoui said that, unlike Dunhill, Luxco had not adopted long-term hedging policies because it believed the geographical spread of its activities gave it a natural hedge against foreign exchange movements.

Meetings for shareholders in Rothmans and Dunhill will be held on September 7. Subject to their approval, dealings in the new Rothmans and Vendôme shares will start on October 25.

Shareholders with 1,000 Rothmans B shares will receive 1,000 new Rothmans units, 500 Vendôme units and £757 cash. Holders of 1,000 Dunhill shares will receive 133 new Rothmans units, 749 Vendôme units and £443 cash.

The cash element totals £525m, of which Richemont will receive £300m. Following the restructuring, it will own 61 per cent of Rothmans and 70 per cent of Vendôme.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baldwin	int	1.6	Nov 1	nil	-	2
Blagden	int	1.5	Oct 1	4.5	-	9.5
Brandon Hire §	fin	nil	-	nil	nil	0.1
British Thornton	fin	0.25	Nov 1	nil	0.5	nil
CSC Inv Trust	int	1.5	Sept 17	1.5	-	4
Cussins Property	int	1	Oct 5	nil	-	nil
Eng & Caledonian	fin	2.75	Oct 22	2.5	4	3.75
Foreign/Colonial	int	1.15	Oct 1	1.12	-	3.35
Fulcrum Inv Tst	int	1.4	Sept 30	-	-	13.07★
Johnson Cleaners	int	7	Oct 1	7	-	25.7
Lilleshall	int	1.7†	Nov 26	1.6	-	4.25
Mosaic Investe	fin	nil	-	nil	nil	3.75
Relyon	int	1.9	Oct 4	1.75	-	4.9
Royal Insurance	int	2.5	Nov 5	2	-	5
Shiresoot	int	1.1☆	Sept 30	-	-	2.2
Smith & Nephew	int	1.89	Dec 13	1.8	-	4.62
StandChart	int	7.5	Oct 21	7	-	20
TransAtlantic	int	6	Oct 4	6	-	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Making 2.1p for six months. ★For 18 months.

Ayrshire Metal shares jump

Shares of Ayrshire Metal Products rose 33 per cent to 68p yesterday after the producer of cold rolled steel profiles announced a jump in pre-tax profits from £115,000 to £572,000 for the half year to June 30.

The directors said the company had continued to monitor tightly its cost base and funding requirements.

Turnover increased to £16.5m (£14.4m). Earnings were 3.8p (0.8p) per share. There is again no interim but directors hope to recommend a dividend for the year.

Rutland Trust develops thirst for soft drinks

By Catherine Milton

RUTLAND TRUST is enlarging its business services portfolio with the strategically surprising acquisition of Ben Shaws, a soft drinks maker based in West Yorkshire.

The initial consideration is £5.69m giving Rutland an 84 per cent interest in a newly formed subsidiary, Orderport, with the senior management team of Ben Shaws holding the balance.

Rutland is paying £2.84m in cash, £2.45m in loan notes and £400,000 in shares.

Further consideration will become payable in 1995, depending on profits before tax.

Mr Michael Langdon, chief executive, said: "This is not the first time we have made substantial investments in a field outside pure financial services."

Capital Industries, Rutland's separately quoted associate, last year bought Samuel Jones, a manufacturer of laminated paper.

Mr Langdon said: "Where we can enhance our shareholder value by using the skills we have at Rutland then we will invest."

Mr Langdon and another Rutland director, Mr Christopher Dowling, have become respectively chairman and deputy chairman of Ben Shaws.

Ben Shaws, which incurred pre-tax losses of £546,000 on turnover of £66m in the year to end January 1993 and had net assets of £7m at that date, has been owned and run by the Shaw family since 1871.

Smith & Nephew at £82m but US clouds outlook

By Peggy Hollinger

SMITH & NEPHEW, the healthcare and consumer group, yesterday reported a 27 per cent increase in interim pre-tax profits to £82.3m on turnover 17 per cent higher at £483m.

Mr John Robinson, chief executive, said the group had achieved underlying sales growth of 8 per cent, after adjusting for currency movements and a £6m gain on the disposal of an Australian plastics business. Margins held steady at 15.8 per cent.

Although many analysts said the profits for the half year to July 3 had come in at the lower end of expectations, with healthcare growth less than forecast at 9 per cent, Mr Robinson said he was pleased with the results. "Sales and profits growth are the same as last year," he said, "despite worsening market conditions."

The group had also managed to reduce gearing from 25 per cent to 18 per cent, leaving the way open for substantial acquisitions within the next two years.

Growth in the healthcare division during the first half had been slowed by uncertainty over health reforms in the US, where Smith & Nephew makes 46 per cent of turnover. Sales of surgically related products had fallen as patients put off surgery until the government published the reforms. Mr Robinson said the number of operations in the US had fallen by as much as 10 per cent. He stressed, however, that the uncertainty was not expected to have a long-term effect on sales. "We are confident that it will come back, but it may be a month or two before that happens," he said.

Trevor Humphries

Eric Kinder (left), chairman, with the Genesis knee joint, and John Robinson with a model knee joint

On a brighter note, northern Europe – including the UK – had performed as expected. Asia was also proving to be a high growth market.

The interim dividend is lifted from 1.8p to 1.89p, payable from earnings per share of 5.1p (4.2p).

● COMMENT

Forecasts for Smith & Nephew have been downgraded from £170m to £162m pre-tax, leaving a prospective p/e of 14, as the uncertainty over its largest market seems set to cloud the short-term. Turmoil over currencies in the Exchange Rate Mechanism are not likely to help the group. Longer term, Smith & Nephew is well placed in markets with strong growth potential – cost-effective healthcare. Most encouraging is Mr Robinson's reassurance that Smith & Nephew will maintain underlying growth of about 8 per cent. Taking those factors into consideration, there might be a better time buy in the near future, but there is certainly no reason to sell.

Greenalls in £3.5m drinks buy

By Philip Rawstorne

GREENALLS GROUP, the pub retailer and hotelier, has acquired JP O'Brien, a Lancashire-based drinks wholesaler, for £3.5m, comprising 650,000 Greenalls shares, loan stock of £700,000, and the balance in cash.

O'Brien had turnover last year of £10m.

Mr Andrew Thomas, Greenalls' chairman, said yesterday that the deal would increase the group's focus on wholesaling opportunities outside its own pub estate.

"Our existing wholesaling business will merge with O'Brien's and the resulting increase in scale will improve margins and increase its attraction to suppliers", he said.

COMPANY NEWS: UK

Turnround at Royal Insurance

By Richard Lapper

ROYAL INSURANCE yesterday reported a sharp recovery in its interim results, with pre-tax profits of £52m for the first six months of 1993 compared with losses of £79m. Earnings per share rose to 9.3p against losses of 16.3p and the interim dividend is lifted by 25 per cent to 2.5p.

The City, however, appeared disappointed with the result, which fell short of some more optimistic expectations. Following strong growth in recent weeks the shares fell 11p to close at 333p.

Royal said that it would launch a new direct motor insurance subsidiary on a national basis in September following a successful trial period of operation in the north of England.

Like The Insurance Service, based in Bristol, Royal Northern Direct will be a telesales operation, bypassing the insurance broker. TIS now insures about one third of the 1m motorists insured by Royal and is growing rapidly.

Commenting on the results, Mr Richard Gamble, chief executive, said "we are definitely on our way back."

Trevor Humphries

Richard Gamble: the group is definitely on its way back

Mr Gamble's appointment was accompanied by a change in management style at Royal and the introduction of a more disciplined approach to underwriting, including sharp increases in premium rates.

Pre-tax losses have gradually fallen from their peak of £373m in 1991, with a recovery in the UK underpinning the improvement.

UK underwriting losses fell from £172m to £22m. The company reported underwriting profits in household, personal and commercial motor and commercial property, but they were offset by losses of £50m (£100m) on domestic mortgage indemnity business. UK premium income increased by 9 per cent to £836m (£769m).

DMI losses for the year are expected to reach £90m. Underwriting losses at Royal Re, the reinsurance subsidiary, were also higher than expected, reaching £45m (£26m).

Overall underwriting losses fell to £207m (£310m). Investment income – at the general insurance subsidiary – rose to £250m (£235m) before loan interest.

Income from associated undertakings rose to £13m (£9m), while losses on estate agency business fell to £6m (£9m). Profits from life insurance fell to £25m (£27m).

Loan interest payments at holding company level amounted to £21m. At the insurance subsidiary loan interest amounted to £3m (£19m), long-term insurance profit £1m (£12m losses) and minority interests losses of £2m (£2m profits).

Capital and reserves increased to £2.07bn (£1.5bn) and include realised gains of £80m (£375m) and unrealised gains of £50m (loss of £184m).

At June 30 the solvency ratio amounted to 56 per cent, compared with 42 per cent at end-December.

See Lex

F&C raises net assets but warns on US growth

By Philip Coggan, Personal Finance Editor

FOREIGN & Colonial Investment Trust warned yesterday that "Wall Street may begin to falter", as it lifted its interim dividend by 2.7 per cent to 1.15p.

The UK's largest investment trust reported an 8.6 per cent increase in net assets from 225.5p to 244.9p per share over the six months to June 30; the year-on-year rise on June 1992's figure of 181.4p was 35 per cent.

The trust said: "Unless President Clinton can demonstrate soon that he can revive the economy, Wall Street may begin to falter." However, Mr Michael Hart, joint manager, was reasonably hopeful about other markets, including the UK, where he has a target for the FT-SE 100 index of 3150-3200 by the year end.

The recent enthusiasm for enhanced scrip dividends has proved a problem for the trust. Such dividends give investors extra shares instead of cash; if they subsequently sell the additional shares, the cash proceeds would be higher than if they had taken the cash dividend alone.

Investment trusts, however, cannot distribute capital gains. The fear is that if F&C paid out cash received from the sale of enhanced scrip dividends to shareholders, it might lose its investment trust status.

The Association of Investment Trust Companies is negotiating with the Inland Revenue on this point. In the interim, F&C has stopped taking enhanced scrip dividends and will not distribute the proceeds from those scrip dividends it has received until the point is clarified.

The trust said that it continued to attract new investors through its savings plan, with the total number of shareholders up 14 per cent in the first six months of the year to 64,861. However, the costs of operating the plan led to a 21 per cent increase in expenses.

Total net assets were £1.29bn. Earnings per share were 2.26p (2.31p). A final dividend of 2.3p is forecast to make a total of 3.45p (3.35p).

● COMMENT

F&C's investment management skills seem undiminished. The 8.6 per cent increase in net asset value per share compared with a 5.5 per cent rise in the All-Share Index over the same period; the trust's move back into Japan has worked out well. That said, its success has been so well recognised that the shares, unchanged at 255p yesterday, are virtually trading at asset value. Add in the fact that many world stock markets are at an all-time high and new investors face the risk of a "double whammy" – falling assets and a widening discount – if they choose this moment to buy. So there may be scope for short term weakness in the share price; however, those who invest for the long term or via the savings scheme, can probably rely on F&C to steer through the market ups and downs better than most.

Lilleshall raising £9.7m to fund glass buy

By Roland Rudd

LILLESHALL yesterday launched a 1-for-3 rights issue, raising £9.67m, to buy St Helen's Glass and eliminate net debt.

The building products and engineering group also reported an 11 per cent fall in pre-tax profits, from £2.06m to £1.52m, for the half year to July 2.

The new shares are offered at 125p. The shares yesterday rose 8p to close at 163p.

The acquisition of Chartadd, the holding company of St Helen's Glass, is costing £6.25m, including £133,160 for the cancellation of options held by senior managers.

This will be financed by 3.7m of new shares, raising £4.6m, £750,000 of unsecured guaranteed convertible loan notes; £117,031 in cash and 484,497 shares not to be sold before the end of next year, except in limited circumstances.

In the year to end-March St Helen's Glass made pre-tax profits, adjusted for extra directors remuneration and other non-recurring costs, of £705,000 (£953,000) on sales of £14.7m (£15.3m.)

Lilleshall's results were restated to comply with FRS 3, showing the first half of 1992 benefiting from exceptional credits which were not repeated this year.

Sales were £31.3m (£25.7m). Earnings per share rose to 5.4p (5.1p) and the interim dividend is lifted from 1.6p to 1.7p.

TransAtlantic improves to £30m

By Vanessa Houlder, Property Correspondent

TRANSATLANTIC Holdings, the property and life assurance group which obtained a London listing last year, yesterday announced a 7 per cent rise in pre-tax profits from £28.1m to £30.2m for the six months to June 30.

Mr Donald Gordon, chairman, said there had been "solid progress" by the property sector and an "excellent advance by Sun Life in a very challenging life insurance environment."

"Taking into account our ambitious future plans, the company looks forward to realising some of its exceptional potential in the period ahead," he said.

TransAtlantic is owned jointly by Liberty Life, the South African life assurance company, and Union des Assurances de Paris, France's largest insurer. It owns 50 per cent of Sun Life Holdings, the UK life insurer, and Capital & Counties, the property company.

On June 2 the group announced that it held 3.01 per cent of Sun Alliance, the UK insurer, as a "strategic" investment. It said it was currently concentrating its efforts in North America in its investigation of opportunities to develop its interests in the international life insurance business.

Property investment income from Capital & Counties increased from £33m to £36m.

Sun Life's new business results showed a growth in regular premiums of 36 per cent from £42.1m to £57.2m and a growth in single premiums of 23 per cent to £1.04bn.

Net assets per share at June 30 stood at 272p, compared with 307p a year earlier and 274p at December 31 1992.

A substantial take-up of the scrip dividend alternative for the 1992 final resulted in a reduction in the tax charge from 30 per cent to 18 per cent. This helped earnings per share rise 18 per cent from 5.08p to 5.98p. An unchanged interim dividend of 6p is declared.

Johnson Cleaners hits £8.7m

By Peggy Hollinger

SHARES IN Johnson Group Cleaners rose 13p to 835p as the dry cleaning company reported a 17 per cent jump in interim pre-tax profits from £7.44m to £8.7m.

The results for the six months to June 26, struck on a 9 per cent increase in sales to £81.7m (£74.8m), were largely due to currency gains and the acquisition of a workwear rental company earlier this year.

The interim dividend is maintained for the fourth consecutive year at 7p, while earnings improved from 22.54p to 28.04p per share.

Mr Terry Greer, chairman, said trading in both the US and UK remained difficult, with dry cleaning sales and margins under continuing pressure.

Mr Greer was slightly more upbeat on prospects than in recent years, however, hinting that the group might be ready to return to the acquisition trail in the next year or so.

"There are signs of a tentative economic recovery, which must make us more optimistic." Yet, he added the caveat that Johnson had not seen "evidence of anything sustainable".

Exchange rates added £290,000 to operating profits, while Imperial & Queen Laundries, acquired in January for £2.9m cash, contributed £260,000.

These helped increase operating profits by 7 per cent to £9.2m. The pre-tax figure was further helped by a £464,000 drop in net interest charges to £591,000.

Mr Greer said the dry cleaning business in the US had been hit by the severe winter and summer flooding. The franchise business continued to incur losses, although lower than last year.

Workwear rental, which had improved in the first half, would be the focus of growth in the US. This was likely to mean acquisitions in the next year.

NEWS DIGEST

Blagden tumbles to £3m

PROFITS of Blagden, the packaging and chemicals group, fell from £6m to £3.04m pre-tax for the 26 weeks ended June 27. Turnover was lower at £116.9m, against £118.1m.

With a need for "prudent husbanding" of group resources the interim dividend is cut from 4.5p to 1.5p. Earnings declined to 3.7p (7.3p).

Turnover and pre-tax profits benefited by £10.2m and £600,000 respectively from the devaluation of sterling. Profits also included £617,000 from the sale of property.

The directors said comparison with the second half of 1992 was more meaningful when turnover of £111.5m and pre-tax profits of £1.63m were achieved. They said set against these results the performance of the first half of 1993 pointed to a significant recovery.

Operating profits of the packaging division fell from £6m to £4.06m while those from chemicals declined from £2.14m £1.44m.

Management buys Lowe Alpine

Lowe Alpine, the outdoor pursuits equipment group, has been bought by its management in a deal worth £14.4m from Famco Holdings.

The Cumbria-based company reported sales of £22.3m in the year to March 31 1993.

The funding includes £5.3m equity from Phildrew Ventures and bank loans of £8.6m.

Famco is a private company owned by the Clarke family and has a controlling stake in Silentnight.

Brandon Hire trims deficit

Losses at Brandon Hire, the USM-quoted hirer of power tools, catering equipment and furniture, were reduced from £291,000 to £14,000 pre-tax for the 12 months ended April 30.

Turnover slipped to £3.87m (£3.98m).

Earnings emerged at 0.44p (losses 1.72p). The dividend for the year is being omitted – last time only an interim of 0.1p was paid.

Transfer Technology $3.9m acquisition

Transfer Technology has acquired the business and certain assets of Coherent General from Coherent of the US.

Cash consideration of $3.9m (£2.6m) represents the net book value of the assets and liabilities.

Shirescot net asset value rises to 129.9p

Shires High-Yielding Smaller Companies Trust reported net asset value of 129.9p at June 30, compared with 109.6p six months earlier. The trust was launched in August last year.

Net revenue for the half year to end-June was £388,000 for earnings per share of 3.1p. A second interim dividend of 1.1p is declared, making a total so far of 2.1p.

Relyon shares rise after 29% growth

Relyon Group, the beds and bedroom furniture manufacturer and supplier of surveillance equipment, reported a 29 per cent increase in pre-tax profits for the first half of 1993.

Mr Ralph Platt, chairman, said that following the 1992 restructuring all subsidiaries were contributing to profits. The shares rose 11p to 205p.

On turnover of £20.1m (£21m) pre-tax profits were up from £1.5m to £1.94m.

Earnings came out at 6.15p (4.77p). The interim dividend is increased to 1.9p (1.75p).

Turnround for Sleepy Kids

A turnround from losses of £109,000 to pre-tax profits of £3,000 was announced by Sleepy Kids, the USM-quoted children's animation and merchandising group, in the half year to April 30.

Mr Martin Powell, chairman, said the results reflected the progress the group continued to make not only with Budgie The Little Helicopter, the character created by the Duchess of York, but also with its other properties.

Turnover amounted to £127,000 (£80,000).

EFM share offer oversubscribed

An offer of shares in EFM Small Companies Trust, a new investment trust, has been oversubscribed. The trust received applications for shares worth £62.9m, but has scaled them back so that the amount raised, after expenses, was £48m.

Those who applied for between 500 and 3,000 shares will receive 100 per cent of their application; those who applied for between 3,500 and 6,000 shares will receive 80 per cent; 6,500-10,000 shares - 60 per cent; 10,500-100,000 shares - 20 per cent; over 100,000 shares - 10 per cent.

Dealings in the shares and warrants will start on August 19.

Baldwin restores interim pay-outs

Losses at Baldwin, the holidays, printing and properties group, widened from £2.02m to £2.25m at the pre-tax level for the half year ended April 30.

However, in view of the strong financial position of the group and the current state of trading interim dividends are being restored via a 1.6p payment.

The deficit was a direct result of the accounting policy of the tour operating division which recognises revenue only on the departure of customers on holiday. Since virtually all holidays take place in the second six months "there is little turnover and little profit" from this division at the interim stage.

Turnover doubled to £8.4m and losses per share worked through at 9.03p (7.98p).

Cash balances at period end stood at £5.4m (£4.5m).

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StanChart advances to £169m

By John Gapper
Banking Editor

SHARES IN Standard Chartered, the international banking group, leapt 51p yesterday to close at 949p after it disclosed a sharp rise in first half profits helped by buoyant Asia Pacific operations, and eased fears that it would need a rights issue.

Pre-tax profits for the six months to June 30 rose to £168.8m, against £59.3m, with £121m contributed from Hong Kong. The provision for bad and doubtful debts increased to £127m, against £117.6m, after charges for UK corporate lending rose from £37.3m to £113.7m.

Fears of a rights issue to strengthen capital eased after its ratio of core tier 1 capital to risk-weighted assets was disclosed to have strengthened to 5.4 per cent, against 4.9 per cent, helped by retained profits of £70.5m (£10.9m losses).

The interim dividend is raised to 7.5p (7p), with earnings per share rising from 2.4p to 37.3p. Mr Patrick Gillam, chairman, said Standard was starting to solve "years of inconsistent and generally low earnings".

Tony Andrews

Malcolm Williamson: cost to income ratio still unacceptable

Standard has suffered from upsets, such as its involvement in the Bombay securities trading scandal last year, which have given it an accident-prone image. However, the shares have risen this year on optimism about its Asia Pacific franchise.

Mr Gillam said the company had strengthened its senior management and was now trying to focus businesses in OECD countries to support the Far East operations.

Mr Peter Wood, the finance and risk director who joined the bank earlier this year from Barclays, said the bank wanted to raise post-tax return on equity above the 17 per cent in the first half to cover some inevitable earnings volatility.

The bank's overall ratio of capital to risk-weighted assets rose to 10.7 per cent, against 9.7 per cent. It has a further £372m (£443m) in "surplus" tier 2 capital which it can count towards the ratio as core capital increases.

Net interest income rose 41 per cent to £457m, against £323m. Dealing and exchange profits, including foreign currency and metals trading, rose to £106.5m (£48.9m).

The bank is thought to be concerned about the volatility of its share price caused by illiquidity. Some 38 per cent of its shares are held in six blocks, including Tan Sri Khoo Teck Puat, a Singapore investor who holds 14.94 per cent.

See Lex

Hong Kong's contribution rises to £122m

STANDARD CHARTERED has disclosed for the first time the proportion of profits flowing from Hong Kong. Over the last 12 months it has raised assets from £8.35bn to £11.2bn and for the six months to June 30 reported pre-tax profits of £121.7m, against £92.4m, writes John Gapper.

The bank has been trying to reduce risk by cutting exposure to commercial lending in Hong Kong, which accounted for more than half of profits in its core Asia Pacific franchise. Other Asia Pacific countries produced £82.3m (£52.7m).

About 20 per cent of the Hong Kong assets are now in home mortgages. The bank believes risk is limited by the fact that the average proportion of loan to property valuation is below 60 per cent, and loans are usually repaid in seven years.

Bad debt provisions in Hong Kong totalled £3.2m (£28.7m), while that for other Asia Pacific countries was £2.2m (£2m). This compared with a £113.7m (£37.3m) charge for the UK, out of total provisions of £127m (£118m).

Losses in the Middle East and south Asia were cut to £7.3m (£98m). The bad debt charge fell to £1m (£102m) because it did not make further provisions against its involvement in the Bombay securities trading scandal.

The reduced loss was after taking account of a £21.4m charge for writing down the value of public sector utility bonds in India.

In Africa, pre-tax profits of £4.2m (£17.8m) took in a £13m adjustment for hyper-inflation in three countries.

The large UK debt provision left a £42.5m loss, against a profit of £200,000. More than half of the provision concerned two large corporate charges, believed to involve loans to Isosceles and Brent Walker.

Group expenses rose to £481.3m (£353m) although the rise in income reduced the cost to income ratio to 62.1 per cent (67.7 per cent). Mr Malcolm Williamson, chief executive, said this was unacceptable, although it included restructuring.

Talks with Price Waterhouse had failed to resolve a $338m (£227m) dispute over its purchase of the National Bank of Arizona. Mr Patrick Gillam, chairman, said the claim was being pursued strongly and was likely to return to court.

The tax charge was £73m (£51m), an effective rate of 43 per cent. Mr Gillam said this was higher than the bank would like because of UK losses and the bank's current inability to benefit from some write-offs and provisions.

20% rise at Micro Focus ends growth speculation

By Peggy Hollinger

MICRO FOCUS, the computer software company, yesterday put an end to speculation which has dampened its shares in recent months with results showing a 20 per cent rise in pre-tax profits from £9.63m to £11.6m for the six months to July 31.

The growth, on sales up 33 per cent to £40.8m (£30.6m), of which more than half were in the US, was due to a weaker pound. In dollar terms pre-tax profits fell from $17.8m to $17.4m.

The shares rose 8p to close at £18.23.

Mr Paul O'Grady, chairman and, as of yesterday, chief executive, rejected as unfounded the recent speculation over a permanent halt in earnings growth. Analysts had misinterpreted signals over difficulties in the first quarter, he said.

Micro Focus had suffered production support problems which had been sorted out in the second three months.

"I think we have turned the corner," Mr O'Grady said. "It was much better in the second quarter."

Net income per share was steady at 80 cents, which Mr O'Grady said had been well flagged in advance as a temporary consolidation. "Our feeling is that the growth is there and we will give it a really good shot to make it happen in the second half," he said.

In sterling terms earnings per share were 55.3p (45.9p). As in previous years, and according to US practice, there is no dividend.

Cash reserves were £53.3m at the end of the period, similar to last year.

Spending on research and development increased £5.3m to £7.4m.

● COMMENT

Fears over a halt in earnings growth at Micro Focus appear to have been over-hyped. Indications are that trading growth in the second quarter was substantially better than the first three months. However, the group still has to prove that it has fully recovered from the early hiccough. Perhaps this lies behind Mr O'Grady's decision to take to the road as chief executive and drive the sales growth himself. The numbers this time were disappointing enough to pull forecasts back from roughly £31m to £27m. On a prospective p/e of 14.5, the shares already seem to be carrying most of the bad news.

Correction
Cable and Wireless

A company in which Cable and Wireless has a 49 per cent stake was this week awarded a licence to provide a national paging service in Bulgaria, not in Hungary as reported in some editions yesterday.

Fresh flare-up expected at Hoskins

By Catherine Milton

The next flash point in the row between the board of Hoskins Brewery and rebel shareholders who have requisitioned an extraordinary meeting is likely to be today, when full year results from the USM-traded brewer are scheduled for release.

The rebels, led by Mr Richard Holman who has a 7.4 per cent holding, plan to call for the removal from the board of Mr Barrie Hoar, chairman, and his brother, Robert, on grounds of their management record.

The company has not yet responded to the rebels and no date has been fixed for the EGM. The move means the directors are facing their second hostile EGM in two years, soon after last month's formal lapse and apparent collapse of a plan to inject into Hoskins some assets and businesses owned by Mr Adam Page, founder of Midsummer Leisure.

Restructured Mosaic makes £2m placing

MOSAIC Investments, the licensing and design, display products and specialist packaging group, is raising £2m through a placing and open offer to invest in its core businesses.

The group also announced pre-tax losses of £1.98m for the year to April 30 compared with profits of £3.87m. The loss was after exceptional costs of £2.49m for reorganisation and redundancies and expenses incurred in the May relisting.

Mr Hugh Sykes, chairman, said that having substantially completed the restructuring the group was now trading profitably.

The 2.02m new 10p cumulative convertible redeemable preference shares have been conditionally placed with Montagu Private Equity Investments. Shareholders can apply for all the shares on the basis of one new preference for every 17 ordinary held.

Turnover amounted to £31.2m (£48.6m). Losses per share came through at 14.84p (13.98p earnings).

There is no dividend for the year: last time there was an interim of 3.75p.

ACCOUNTANCY COLUMN

Chinese practitioners ready for their great leap forward

The search for new investors is resulting in radical reform of accounting practices, says Andrew Jack

GETTING TO grips with business in China is like trying to grapple with chopsticks for the first time. One slip and the food can easily slide from the grasp, crashing into a bowl and splashing soy sauce in all directions.

The fledgling role of Western accounting in the world's most populous country is equally precarious. But a series of initiatives is now poised to bring about radical reform.

The search for overseas equity is forcing a number of large Chinese companies to overhaul their accounting practices in an effort to meet tough listing requirements. Several tens of thousands are adjusting to different standards for joint ventures already in place.

But from last month, many hundreds of thousands more – supposedly all Chinese enterprises – have on paper also been required to comply with new, more internationally-oriented reporting requirements.

Traditional Chinese accounting was well geared to cope with the demands of the Communist system in the region. Like the equivalent in the former Soviet Union, it served the purposes of the state effectively. It is less equipped to cope with changing pressures on the economy in the 1990s.

The system was funds-based. The emphasis was to show how money provided by the state was used, and how far production quotas were being met. There was less interest in profits or the long-term viability of an enterprise.

The format was rigidly set out in law, with strict requirements on how accounts were presented. Mr Neal Stow of Price Waterhouse says that in the UK, directors may change an accounting treatment to achieve a desired figure; in China their counterparts had to carry out the transaction itself in a different way if they wanted to change a number while complying with the regulations.

The Chinese system was also geared towards statistics, providing data for economic planning to the different ministries and especially to the tax authorities.

That means there is extensive financial information on each enterprise, though most of it is stored manually. The quantity of data, combined with low staff turnover so that those who prepared the figures are generally still contactable, means that accountants have been able to re-cast figures shown in previous years more in line with international standards.

The conversions often produce substantially different results. Mr Meocre Li, who takes over as partner in charge of Hong Kong and China for Arthur Andersen next month, says Chinese accounting lacks the concept of prudence, so there are generally no provisions for bad debts or obsolete inventory.

On the other hand, enterprises were required to make provisions – taken after profits – for staff welfare, bonuses and other costs. He lists a wide range of other differences: accounts are not consolidated; foreign currency transactions are translated at meaningless official rates; depreciation is far slower than in the West; and there is inconsistent application of capitalisation of interest charges.

When Andersen re-cast to international standards the accounts of Shanghai Vacuum as originally reported, net profit rose from Rmb14.7m to Rmb73.4m (£8.6m) for the nine months to September 30 1991, and net assets fell from Rmb293.8m to Rmb198.6m. At Shanghai Chlor-Alkali, net profit fell from Rmb69.7m to Rmb3.3m for the year to December 31 1991. The smaller net change at China Southern Glass – cutting profits from Rmb10.4m to Rmb8.5m in the seven months to July 31 1991 – concealed large variations that cancelled each other out.

Joint ventures have always been required to report more in line with international standards. But since July, the Ministry of Finance's "Accounting standards for business enterprises", with a similar thrust, theoretically became mandatory for all companies.

Even this new standard differs from international requirements, Meocre Li stresses, in forbidding full consolidation, for instance. But he says: "With world accounting going in one direction, I don't think China has a choice."

Earlier this year, Deloitte Touche Tohmatsu won a $2.6m contract from the World Bank to help design new standards. Mr Ted Lee, the firm's managing director for China, says it expects to produce about 30 general and special topic standards and a further 10 for industry sectors over the next three years. Price Waterhouse has been separately awarded a contract to recommend changes to financial reporting for banks.

For those trying to interpret Chinese accounts in the past, Meocre Li points out another difficulty. The country's approach to auditing has been as different from other parts of the world as its financial reporting.

The standards used by the local certified public accountants (CPAs) vary considerably, with only vague official guidelines in place. The annual audit is normally conducted by discussion over just one or two weeks, and up to a maximum of three weeks for even the largest businesses. There is no history of auditors verifying evidence from third parties, and they are not generally present at stock takes.

Meocre Li says there is also a potential conflict of interest under the existing system, since audit firms are themselves essentially branches of the Ministry of Finance, to which they report their findings and on which they rely for information on the enterprises being scrutinised.

Mr Patrick Paul, senior partner elect of Price Waterhouse for Hong Kong and China, expresses what he calls "question marks rather than reservations" about the nature of auditing in China. He wonders how far it is essentially a Western concept requiring confrontation and probing by junior staff, which sits uneasily with Eastern ideas of "saving face" and respect for seniority.

Certainly even for the "Big Six" firms eager to expand in China, there is extreme sensitivity over handling businesses' figures. Any qualification would destroy the chances of a stock exchange listing. Instead, there have been considerable delays in producing the accounts of companies being prepared for flotation while adjustments are made.

That has not deterred the international accountancy firms from expanding in the country. At present, most of their business has come from tax, investment and due diligence work for foreign clients looking for Chinese joint venture partners.

Most of the firms say they are unlikely to be generating profits within the country for at least five years. Stretched to capacity in the meantime, there are suggestions that they are subsidising their fees to gain important contracts.

Yet few doubt the need to exploit China's rapid expansion, and have lost little opportunity to exploit new regulations or test grey areas in the law in their efforts to expand their operations. Andersen has probably gone furthest. During most of the 1980s, the firms were only able to establish "representative offices" which were not permitted to generate income.

Andersen managed to create a wholly foreign-owned business in Shanghai in 1991, which allowed it to hire local people and conduct business. Along with several other firms, it has now established a joint venture which allows it to carry out all the functions of local CPAs.

It plans to build a training centre in China, and is already hiring many young local staff. Mr Ivan Chan, managing partner for China, says the recruits are highly-skilled. The only problem is the country's one-child per family rule has created a pampered new generation with high expectations, making staff retention difficult.

But Meocre Li is confident that the effort will be well rewarded in time. By the year 2000, he predicts that Andersen in China will be generating revenues of more than the $100m a year currently billed in Hong Kong.

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Gold price drops below $370

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE dropped below $370 a troy ounce in late London trading yesterday in very nervous market conditions.

Selling by some of the same US investment funds who helped drive the price above $400 an ounce less that two weeks ago had been responsible for gold's steady slide since Monday, traders suggested.

Funds started selling again yesterday after publication of US economic data showing inflation was firmly under control, some dealers said. Nervousness was also compounded by rumours, not widely believed, that a European central bank was selling gold.

Others attributed the US funds' decision to move out of gold to calmer conditions in world currency markets.

Gold closed in London at $373.50, down $1.75 an ounce. But late trading took the full impact of the fund activity and the price dropped to $364.85 an ounce at one point last night.

One dealer suggested there was "very solid support" for the price at $360. He expected gold to be very volatile in the next few weeks, with price swings of $10 to $15 an ounce likely, until physical demand picked up in September.

Talks over Azerbaijan oil return to square one

By Steve LeVine in Moscow

SEVEN WEEKS after a coup undid a groundbreaking oil deal just before it was to be signed, western companies have resumed negotiations from scratch with the Caspian Sea republic of Azerbaijan.

The new Azeri government, in meetings that began this week, is reportedly talking tougher – sometimes with barely concealed hostility - than did the negotiating team of the toppled president, Mr Abulfaz Elchibey. According to western oil officials in the Azeri capital, the government has a range of demands, including that Azerbaijan receives up to 80 per cent of the profits from its estimated 4bn barrels of oil reserves.

The government, now headed by a Brezhnev-era leader, Mr Heidar Aliyev, has also refused to refund $70m in signing bonuses that eight western companies advanced just a day before the government's suspension of the deal on June 23. The deal was supposed to be signed at the end of June in London, but it fell through when Mr Elchibey, under pressure from a rebel colonel, fled on June 18. That colonel, Mr Surat Husseinov, is now the Azeri prime minister.

None of the eight companies has backed out of the negotiations, though they have spent this week with the frustrating task of explaining the basics of the complex deal to a mostly fresh Azeri team.

The companies, some of whom have been negotiating with various Azeri governments for two years, are staying tight-lipped about the new talks, fearful of saying anything publicly that could kill the deal.

"They have their expectations, and we have our expectations. We'll just have to see how it comes out in the end," one of the oil officials said.

Mr Aliyev has taken a leading role in the new discussions. He has forced the resignation of the state oil chief, Mr Sabit Bagirov, whom western oil officials respected as a fair, apolitical technocrat. Mr Bagirov was replaced by a little-known geologist, Mr Natik Aliyev, who is not related to the Azeri president. Mr Aliyev then transferred the geologist's decision-making powers to parliament, which the Azeri leader heads.

At a public meeting on Monday, Mr Aliyev made most of the oil officials believe that a deal would go through but he did not make clear what ultimate terms he was seeking.

The companies are pushing for what they call a "unitised" approach to developing Azerbaijan's three oilfields, something that had already been agreed upon by Mr Elchibey. The companies would take percentages of the deal and develop the three fields together as a consortium.

In addition, the companies are discussing the construction of a $1.4 bn pipeline to carry 800,000 barrels of oil a day to the west. Under the leading plan, the pipeline would travel through Iran and Armenia before reaching Erzurum, Turkey, and connect with an existing Iraqi pipeline that has been dry since the Gulf war.

The companies are British Petroleum, Statoil, Amaco, Pennzoil, Union Oil of California, McDermott International, Ramco Energy and the Turkish Petroleum Company.

Brazilian sugar crop damaged

THE WORST drought in more than 50 years in Brazil's northeast has brought heavy losses to the region's sugar cane crop and industry officials predict declines of up to 45 per cent, Reuter reports from Maceio.

The northeast accounts for most of the country's sugar exports and many officials said it would not be able to fulfil export quotas.

Mr Jose Carlos Maranhao, commercial director at the Santo Antonio sugar refinery in Maceio, the capital of Alagoas, said the state's 1993-94 cane crop would fall 33 per cent to 14m tonnes. Pernambuco, the regions' other sugar state, has also been affected.

Fast growth lifts China's raw materials prices

By Lynne O'Donnell in Beijing

THE PRICE of raw materials in China shot up by almost 45 per cent in the first half, thanks to rapid economic growth, widespread speculation and the continuing construction boom, the official press reported.

China's Economic Daily said prices of the 16 main industrial raw materials, including steel, timber, rubber, cement and chemicals, rose an average year-on-year 44.7 per cent.

Domestic production rose by 13.7 per cent and domestic consumption by 16.2 per cent, while imports leapt 143 per cent. The newspaper put the steep price rises down to rapid economic growth and to the state's 70.7 per cent increase in fixed asset investment during that period.

The price increase rose on a year-on-year basis from 31.2 per cent in January to 52.9 per cent in June.

Steel product prices rose by 73 per cent in the first half, while consumption rose 33.9 per cent, and production 21.2 per cent. Imports of steel products more than tripled to 11.16m tonnes.

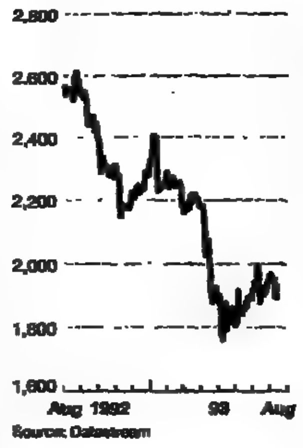
The paper said fear of further price rises was leading to widespread speculative buying. The price rises did not reflect actual supply and demand.

Copper market responds to 'rogue' element

By Kenneth Gooding

Copper

$ per tonne, LME 3 month position



Source: Datastream

THE HUGE WEIGHT of money available to market operators is having an increasing impact on the London Metal Exchange's flagship copper market, according to Mr Martin Thompson, commercial adviser at the RTZ Corporation, the world's biggest mining company.

"Like any free market, that for copper has always been open to a wide variety of 'technical' influences that do not necessarily reflect its fundamentals," Mr Thompson says. "But in recent years the price's behaviour has tended to become increasingly divorced from the perceived levels of physical supply and demand."

Mr Thompson suggests the main cause is that the growth of the copper market, which is restricted to the growth in copper consumption, "has fallen far behind the growth in the finance available to some market operators, whose capacity to influence the behaviour of the price has grown accordingly".

"Restriction on the supply of metal – attributed to a Japanese company – did much to support copper's price in 1991. Heavy buying by Chinese companies, well beyond their physical purchases, performed the same service in 1992 and early this year. Operations by American commodity funds have also been influential from time to time," he explains. "In addition, the volume of options now sold is such that covering by their sellers, by both buying and selling, has become a major 'rogue' element [in the market]."

Mr Thompson's analysis appears in the latest annual reviews from Mining Journal and was written before the latest technical squeeze – and accompanying allegations of manipulation – took hold of the copper market.

Mr Chris Green, a former chairman of the LME and a director of Barclays Metals, also suggests in the annual reviews that option activity on the exchange is playing a significant role in keeping copper prices up.

He says that as much as 15-20 per cent of all 1993 copper mine production has been covered by options in one form or another. A number of producers have already bought similar protection against 1994 output.

The difficulty for the granters of the options, "on whose shoulders the burden of risk management now lies", is that there has been in copper little opportunity to offset the risk of options granted to producers against business with consumers, Mr Green says.

"This latter group, which comprises major motor vehicle manufacturers, the larger domestic appliance manufacturers and the big electrical combines, have been singularly, but understandably, reticent to enter into similar deals the other way round.

"There is no history in copper, unlike the aluminium industry, of producers being willing to guarantee their customers fixed prices for years ahead.

"Such is the gap between the expectations of [copper] consumers and those of producers that the development of 'two-way' option business has been relatively small."

Mr Green explains that official LME options, while giving transparency and liquidity to the market, in normal circumstances are all restricted to the third Wednesday of each month and must be declared two weeks prior. So, while the market is highly active, it can also at times be "seriously illiquid".

He says additional warehouse locations for copper in other key industrial areas would help ease the position by making physical metal more easily obtainable. (This is a hint that Mr Green would support any LME move to appoint warehouses to store copper in the US, which so far it has been reluctant to do.)

Meanwhile, "the rigidity of the system remains a target for manipulation, which can in turn generate a stampede in the marketplace". And this was what happened in earlier this year when such a "stampede" caused the copper price to fall by one-quarter in five weeks to reach $1,710 a tonne in May, its lowest level for 5½ years.

Mining Journal's two annual reviews provide detailed overviews of the industry, covering 155 countries alphabetically from Afghanistan to Zimbabwe and 64 metals and minerals from aluminium to zirconium.

Mining Annual Review and Metals & Minerals Annual Review: £60 for addresses in the UK, £75 or US$140 outside the UK, from Mining Journal Books, 60 Worship Street, London EC2A 2HD, UK.

'Exciting bull market' forecast for cocoa as stocks fall

By Richard Mooney

THE COCOA market appears to be heading for "the most exciting bull market for some time", according to GNI, the London trade house.

As continuing supply deficits bring further reductions in world stocks a rerun of the massive bull market of the 1970s "is not out of the question", GNI says in its latest Cocoa Outlook report.

That would suggest a surge from an average price of £745 a tonne this year to £1,600 a tonne in 1994 and £2,700 a tonne in 1995. "Ultimately the rally should peter out close to the July 1977 second [futures] position high of £3,512 a tonne in 1995," the report says.

In reaching this conclusion GNI takes as its starting point a reassessment of supply in the 1992-93 season. The Ivory Coast, the biggest cocoa producer, has banned mid-crop exports, which account for 150,000 tonnes out of the country's total production of 750,000 tonnes. As a result, GNI says, while the global production deficit for the year is only about 100,000 tonnes, the supply deficit is about 244,000 tonnes.

The report admits that much of the Ivorian mid-crop will be carried over into 1993-94, but suggests that about a third will be lost because of poor storage conditions in the villages. Thus the 1993-94 main crop is likely to be swollen by only about 100,000 tonnes. And as the Ivorians plan to continue the embargo on mid-crop sales another 50,000 tonnes is likely to be lost to the world market next season.

With Indonesia the only big producer whose output is increasing, global supply is therefore expected to increase only marginally in 1993-94. So, assuming continued steady growth in consumption, GNI forecasts a further significant supply deficit of 241,000 tonnes.

Other significant factors taken into account in the report include signs that yields in the three big African producing countries – the Ivory Coast, Nigeria and Ghana – could be "significantly below par next year", while Malaysia's planted area is expected to contract as growers switch to more profitable crops.

GNI calculates that world stocks of cocoa should fall below the psychologically important 1m-tonne mark to 918,000 tonnes by the end of the 1993-94 season "even without any significant problems". That would represent about 36 per cent of annual consumption. By the end of the 1994-95 season, the report suggests, that figure will have fallen below 30 per cent, "which is normally regarded as critical".

On the question of the disposal of the International Cocoa Organisation buffer stock of 230,000 tonnes, GNI says it is reasonable to assume that this will be done in an orderly fashion – probably at a rate of 46,000 tonnes in each of the five years of the ICCO's new economic agreement.

"The buffer stock could then be regarded as an independent supplier with fixed five-year production horizon," the report says. "Indeed it would then be valid to erase the 230,000 tonnes from the global stock figure, giving a stock to consumption ratio of just 27 per cent at the end of 1993-94 – well below the critical 30 per cent barrier."

All this adds up to an "unequivocally bullish" outlook for the cocoa price, GNI says. "It is surprising that the price has not moved higher this year."

Wider EC trade area would mean CAP rethink, study says

By David Dodwell, World Trade Editor

RECENT EVENTS pointing to further integration of eastern Europe with the European Community have unleashed forces that eventually will lower world farm commodity prices and force a restructuring of the Common Agriculture Policy, according to a study by three US farm economists.

The study says the changes would be neutral to the US in net welfare terms, with farm exporters' losses more than matched by gains to consumers through lower food prices.

According to the study by Mr James Gleckler, Mr Robert Koopman and Mr Luther Tweeten, full integration into the EC of the European Free Trade Area countries and the eastern European states of Hungary, Poland, the Czech and Slovak Republics, the former Yugoslavia, Romania, Bulgaria and Albania, would lift the cost to the EC budget of the nine main commodities regulated by the CAP to $4.7bn at the end of the century from $3.6bn in 1989.

At the same time, world prices for course grains would fall by almost 18 per cent, with beef, maize and sugar prices falling by 8-9 per cent. Only pork prices would rise – by about 2 per cent.

"Because many of the eastern regions are impoverished and eligible for special assistance in addition to that for commodities, full integration would greatly expand CAP budget requirements," the study says. "The burden of financing CAP for an agriculture sector roughly twice the size of the present EC would fall squarely on the shoulders of the original 12 members.

"The Community, already facing crisis in financing agricultural programmes, could need to restructure the CAP. Lower price supports, production controls, and a shift to direct payments are possible reforms."

European integration would cost US farmers about $2.2bn a year by the end of the century, with maize and beef producers losing most. But gains from lower food prices would amount to more than $2.3bn.

A farm trade official in London said yesterday that there had been no formal studies in the EC of the likely cost to the CAP of European integration. "No-one has even begun to think about the costs," he said. "They could be massive, but since this is not going to happen before the end of the century, it depends on so many incalculable assumptions that predictions are meaningless."

In Brussels, an EC farm official said a preliminary study was being carried out at Kiel University in Germany that suggested the cost impact of integration "would not be as important as these American academics claim".

European economic integration and the consequences for US agriculture: Published in Agribusiness, Vol 9, number 4, tel: New York 850 6645.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Metal Exchange COPPER market continued to be supported yesterday by technical tightness, which showed no sign of easing. The cash position reversed the week's downtrend to close $17.50 higher at $1,942 a tonne, while three months delivery metal was up $5 at $1,897.50 a tonne. In the ALUMINIUM market the decline of the previous few days was arrested in the afternoon and the three months position closed $4.75 up at $1,199.50 a tonne. Dealers said the uptum was in response to a US option enquiry that caused some to speculate that a North American production cut might be in the offing. Solid support prevented the NICKEL market from extending an early fall to fresh six-year lows. The three months price steadied to close at $4,825 a tonne, still $56.50 down on the day, and moved up to $4,830 in kerb trading. At the London Commodity Exchange COCOA futures closed with small gains, boosted primarily by the weakness of sterling against the dollar. Dealers said the medium-term outlook appeared constructive, aided by expectations of another deficit in 1993-94.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.88-4.98u	+.255
Brent Blend (dated)	$16.83-6.84	+.285
Brent Blend (Sep)	$16.98-6.99	+.285
W.T.I (1 pm est)	$18.02-8.04u	+0.36
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	
Gas Oil	$162-163	+2.5
Heavy Fuel Oil	$61-62	
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.50	-1.75
Silver (per troy oz)♣	464c	-3.5
Platinum (per troy oz)	$383.60	-2.65
Palladium (per troy oz)	$140.25	
Copper (US Producer)	90.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.32m	+0.01
Tin (New York)	224c	-1.5
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	132.24p	-0.24*
Sheep (live weight)†♠	89.92p	-6.04*
Pigs (live weight)†	72.03p	-0.47*
London daily sugar (raw)	$254.30	-3.3
London daily sugar (white)	$283.00	-4
Tate and Lyle export price	£283.50	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	60.50p	+0.5
Rubber (Oct)♥	61.00p	+0.5
Rubber (KL RSS No 1 Jul)	209.5m	
Coconut oil (Philippines)§	$460.0v	
Palm Oil (Malaysian)§	$355.0t	
Copra (Philippines)§	$293	
Soyabeans (US)	£205u	+2
Cotton "A" index	[illegible]	-0.5
Wooltops (64s Super)	351p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug.v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices. * change from a week ago. provisional prices.

SUGAR – LCE ($ per tonne)			
White	Close	Previous	High/Low
Oct	256.00	258.30	263.50 253.00
Dec	254.00	256.20	261.00 254.00
Mar	256.00	262.00	264.80 253.50
May	263.50	263.00	263.50 263.30
Aug	264.00	275.90	264.00

White 1219 (1136) Paris- White (FFr per tonne): Oct 1546.43

CRUDE OIL – IPE ($/barrel)			
	Latest	Previous	High/Low
Sep	16.84	16.91	[illegible]
Oct	17.07	17.05	17.10 16.96
Nov	17.24	17.22	17.24 17.10
Dec	17.35	17.38	17.35 17.25
Jan	17.44	17.50	17.45 17.33
Feb	17.50	17.57	17.52 17.49
IPE Index	16.72	16.56	

Turnover 35811 (42360)

GAS OIL – IPE ($/tonne)			
	Close	Previous	High/Low
Aug	157.50	157.50	158.75 157.00
Sep	161.75	159.00	162.00 158.75
Oct	164.00	161.75	164.00 161.50
Nov	166.25	163.75	166.25 163.75
Dec	168.00	165.75	168.00 165.75
Jan	169.00	167.25	169.00 167.00
Feb	169.25	167.25	167.75
Mar	166.75	165.75	168.50

Turnover 15736 (16359) lots of 100 tonnes

FRUIT & VEGETABLES

Spanish Santa Rosa plums are an excellent buy this week at 35-50p a lb (35-50p) reports the FFVIB. South African avocados at 50-70p each (60-70p). French Guyot pears at 40-50p a lb (45-55p) and Cyprus Perlette white seedless grapes at 70p-£1.00 a lb (99p-£1.70) are also good value. English, Jersey and French runner beans are this week's best vegetable buy at 60-90p a lb (90p-£1.40). Cauliflowers are still excellent quality at 35-50p a lb (35-55p). English summer cabbage is also still plentiful and is priced at 25-30p a lb (25-30p). English and Dutch tomatoes are the best salad buy this week at 405-55p a lb (45-65p).

COCOA – LCE (£/tonne)			
	Close	Previous	High/Low
Sep	742	737	744 737
Dec	762	757	763 757
Mar	777	774	778 775
May	786	783	786 785
Jul	795	794	797 795
Sep	805	805	808 805
Dec	821	819	821 820
Mar	835	832	835 834

Turnover: 4315 (5486) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 11 737.66 (726.66) 10 day average for Aug 12748.82 (749.70)

COFFEE – LCE ($/tonne)			
	Close	Previous	High/Low
Sep	1145	1139	1150 1120
Nov	1125	1121	1130 1108
Jan	1101	1091	1110 1088
Mar	1081	1072	1092 1068
May	1074	1060	1082 1068

Turnover: 3253 (5928) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 11Comp. daily 84.43 (86.44) 15 day average 84.64 (84.41)

POTATOES – LCE (£/tonne)			
	Close	Previous	High/Low
Apr	83.3	80.8	83.3 79.5
May	93.5	90.8	93.5 91.0

Turnover 177 (126) lots of 20 tonnes.

SOYABEANMEAL – LCE (£/tonne)			
	Close	Previous	High/Low
Oct	172.00	-	172.00
Feb	177.00	-	177.00

Turnover 215 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)			
	Close	Previous	High/Low
Aug	1404	1394	1420 1400
Sep	1455	1435	1455 1450
Oct	1485	1475	1492 1480
Nov	1505	1485	1510 1499
Jan	1513	1501	1515 1500
Jul	1313	1305	1313 1300
BFI	1349	1344	

Turnover 270 (493)

GRAINS – LCE (£/tonne)			
Wheat	Close	Previous	High/Low
Sep	105.15	105.40	105.15 104.70
Nov	107.00	107.00	107.00 106.00
Jan	108.25	108.55	108.50 107.80
Mar	110.25	110.40	110.50 110.25
Barley	Close	Previous	High/Low
Sep	99.75	-	100.00 99.35
Nov	102.90	102.80	103.00 102.50
Mar	106.80	-	106.85 106.80

Turnover: Wheat 254 (268) Barley 74 (183). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Sep	99.0	99.5	99.0

Turnover:1 (15)lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,749 lots
Cash	1176-7	1171-1.5	1173.5/1173	1173-3.5		
3 months	1199-200	1194.5-5.0	1208/1192	1195.5-6.0	1201-2	240,674 lots
Copper, Grade A ($ per tonne)						Total daily turnover 43,447 lots
Cash	1941-3	1924-6	1924/1922	1923-4		
3 months	1897-8	1892-3	1905/1886	1887-8	1905-6	211,408 lots
Lead ($ per tonne)						Total daily turnover 3,565 lots
Cash	387.5-8.5	390-1	394.5	394-4.5		
3 months	400-1	408-3.5	403/397	398-7	408-4	24,897 lots
Nickel ($ per tonne)						Total daily turnover 8,777 lots
Cash	4765-75	4825-30	4790/4749	4749-60		
3 months	4820-30	4880-3	4880/4808	4800-5	4825-30	46,849 lots
Tin ($ per tonne)						Total daily turnover 1,114 lots
Cash	4830-5	4885-75		4855-8		
3 months	4880-5	4920-30	4910/4886	4895-10	4885-90	10,768 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 25,431 lots
Cash	872.5-3.5	887.5-7.5		868-6.5		
3 months	888-8.5	883-3.5	890/875	880-0.5	889-90	78,917 lots
LME Closing £/$ rate: SPOT: 1.4840		3 months: 1.4546		6 months: 1.4479		9 months: 1.4429

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	373.25-373.75	
Opening	374.70-375.20	
Morning fix	375.35	254.337
Afternoon fix	376.30	256.886
Day's high	377.00-377.50	
Day's low	372.50-373.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.57	6 months	2.60
2 months	2.57	12 months	2.65
3 months	2.57		

Silver fix	p/troy oz	US cts equiv
Spot	318.55	468.60
3 months	323.10	472.35
6 months	327.30	476.25
12 months	336.35	484.50

GOLD COINS	$ price	£ equivalent
Krugerrand	374.50-377.50	254.00-256.00
Maple leaf	385.25-387.70	-
New Sovereign	88.50-91.50	60.00-62.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	22	56	11	23
1200	10	42	24	34
1225	3	30	42	47
Copper (Grade A)	Calls		Puts	
1900	58	75	17	74
1950	30	54	38	102
2000	13	37	70	135
Coffee	Sep	Nov	Sep	Nov
1150	24	61	29	88
1200	9	43	64	118
1250	2	31	107	168
Cocoa	Sep	Dec	Sep	Dec
725	22	56	5	21
750	8	43	16	31
775	2	32	35	[illegible]
Brent Crude	Sep	Oct	Sep	Oct
1700	-	26	-	46
1750	-	11	-	73
1800	-	-	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	367.4	375.3	377.0	366.0
Sep	367.9	375.8	378.0	376.5
Oct	368.8	376.8	378.0	368.0
Dec	370.7	378.7	380.8	368.5
Feb	372.7	380.7	382.2	371.0
Apr	374.5	382.5	380.5	373.0
Jun	376.3	384.4	385.0	375.0
Aug	378.1	386.2	378.2	378.0
Oct	379.9	388.1	388.0	388.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Aug	385.5	390.3	0	0
Oct	387.5	391.3	393.5	385.0
Jan	388.2	392.1	394.5	388.0
Apr	389.2	393.1	395.6	388.5
Jul	390.0	393.9	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	455.0	467.0	0	0
Sep	455.8	467.8	470.5	448.0
Oct	457.2	469.2	0	0
Dec	460.5	472.5	475.5	453.0
Jan	460.9	473.1	0	0
Mar	465.4	477.6	475.5	458.0
May	468.8	481.2	479.0	462.0
Jul	471.9	484.5	484.0	465.0
Sep	475.4	488.2	488.5	473.0
Dec	480.6	493.6	496.0	472.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	84.30	83.45	84.40	84.30
Sep	84.45	83.70	85.00	83.30
Oct	84.55	83.60	84.40	84.40
Nov	84.60	83.90	84.05	84.05
Dec	84.70	84.00	85.10	83.60
Jan	84.95	84.25	84.40	84.00
Feb	85.20	84.45	85.20	84.80
Mar	85.45	84.70	86.00	84.50
Apr	85.60	84.90	85.20	85.20
May	85.80	85.10	85.50	85.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Sep	18.09	17.88	18.10	17.79
Oct	18.44	18.25	18.44	18.15
Nov	18.65	18.49	18.65	18.40
Dec	18.79	18.66	18.79	18.56
Jan	18.93	18.81	18.91	18.72
Feb	18.99	18.92	18.99	18.80
Mar	19.08	19.01	19.09	18.86
Apr	19.09	19.09	0	0
May	19.20	19.17	19.20	19.12
Jun	19.31	19.24	19.31	19.15

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Sep	52.26	51.57	52.26	51.10
Oct	53.26	52.62	53.40	53.20
Nov	54.36	53.77	54.36	53.40
Dec	55.36	54.87	55.38	54.85
Jan	56.00	55.72	56.00	55.65
Feb	56.30	56.22	56.35	55.85
Mar	55.70	55.62	55.70	55.30
Apr	54.65	54.62	54.85	54.40
May	53.90	53.87	53.90	53.65
Jun	53.40	53.42	53.42	53.05

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	910	917	923	908
Dec	958	965	970	953
Mar	991	997	1002	988
May	1009	1016	1017	1008
Jul	1028	1035	1033	1030
Sep	1049	1056	0	0
Dec	1077	1083	1078	1076
Mar	1100	1106	1097	1094
May	1118	1124	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	69.60	70.15	71.50	69.20
Dec	72.45	73.00	74.50	72.10
Mar	74.85	74.90	76.60	74.60
May	76.00	76.20	78.00	76.10
Jul	77.00	77.65	78.50	77.00
Sep	76.65	78.50	0	0
Dec	84.00	84.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.16	9.69	9.78	9.02
Mar	9.37	9.80	9.84	9.20
May	9.54	9.90	9.90	9.40
Jul	9.57	9.96	9.96	9.60
Oct	9.65	10.06	9.95	9.66

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	53.92	55.65	55.30	53.90
Dec	55.22	56.76	56.15	55.05
Mar	56.80	58.27	57.80	56.86
May	57.51	58.92	58.60	57.47
Jul	58.22	59.55	59.35	58.30
Oct	59.46	59.85	59.80	59.87
Dec	59.69	60.25	60.05	59.60

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	118.25	115.65	119.50	115.10
Nov	119.20	118.90	119.80	118.20
Jan	121.00	120.60	121.20	120.10
Mar	123.00	122.25	123.00	121.55
May	123.50	123.25	124.00	123.00
Jul	123.50	122.25	122.50	121.00
Sep	121.50	120.25	0	0
Nov	121.50	120.25	0	0
Jan	121.50	120.25	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Aug 12	Aug 11	mnth ago	yr ago
1829.9	1844.7	1701.7	1624.9

DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 11	Aug 10	mnth ago	yr ago
Spot	123.87	124.66	123.87	115.87
Futures	126.03	127.56	126.60	114.77

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	656/0	679/2	682/0	654/0
Sep	654/0	681/4	681/4	653/0
Nov	656/0	683/2	686/0	653/4
Jan	660/4	688/4	689/0	658/4
Mar	663/4	689/0	689/4	661/4
May	665/4	692/0	691/0	663/0
Jul	666/6	691/6	691/6	665/0
Aug	664/2	658/0	663/0	664/0
Sep	634/0	646/4	[illegible]	634/0
Nov	615/0	622/2	626/4	614/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	23.16	23.90	24.00	23.00
Sep	23.17	23.93	24.15	23.05
Oct	23.30	24.06	24.25	23.16
Dec	23.49	24.30	24.51	23.30
Jan	[illegible]	24.41	24.58	23.58
Mar	23.73	24.55	24.65	23.65
May	23.78	24.59	24.70	23.70
Jul	23.80	24.60	24.70	23.70
Aug	23.75	24.55	0	0
Sep	23.73	24.30	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	213.8	219.4	220.4	212.4
Sep	210.8	218.9	218.8	209.4
Oct	208.9	217.0	217.0	208.5
Dec	209.4	215.7	217.0	208.0
Jan	209.0	215.0	214.5	207.8
Mar	208.6	213.7	213.8	207.8
May	208.3	212.2	212.0	206.5
Jul	207.5	210.2	211.0	206.3
Aug	205.0	208.0	209.0	205.0
Sep	203.5	205.5	206.0	203.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	237/6	240/6	243/4	236/0
Dec	244/2	247/2	250/0	241/0
Mar	251/2	254/6	257/2	248/4
May	256/2	259/2	262/0	254/0
Jul	258/2	261/4	263/4	256/2
Sep	251/6	252/0	253/2	251/4
Dec	244/4	244/4	247/0	243/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	305/0	315/4	315/4	304/4
Dec	311/4	321/0	321/4	311/0
Mar	314/4	323/2	324/0	314/0
May	308/0	316/4	316/4	308/0
Jul	296/4	303/0	303/4	296/0
Sep	[illegible]	308/2	302/0	302/0
Dec	311/0	0	311/0	309/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	75.825	75.925	75.900	75.600
Oct	75.225	75.375	75.450	74.900
Dec	75.600	75.475	75.650	75.250
Feb	75.925	75.575	75.950	75.650
Apr	76.875	76.950	76.975	76.700
Jun	73.600	73.600	73.700	73.500
Aug	[illegible]	72.225	72.300	72.250

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	48.450	48.450	48.500	48.400
Oct	45.550	44.925	45.575	44.850
Dec	45.375	44.875	45.475	44.575
Feb	45.225	[illegible]	45.450	44.500
Apr	44.050	43.400	44.100	43.400
Jun	49.025	48.600	49.500	[illegible]
Jul	48.150	47.900	48.450	48.000
Aug	47.000	46.875	47.100	47.000

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	41.700	41.675	41.975	40.800
Feb	48.175	47.300	49.025	47.800
Mar	47.875	47.300	48.550	47.200
May	48.600	48.000	48.700	47.950
Jul	49.950	48.000	49.950	49.850
Aug	48.400	48.000	48.400	0

Footsie edges into higher territory

by Terry Byland, UK Stock Market Editor

A BUOYANT London stock market again resisted discomforting news from UK industry yesterday by holding on to its newly-established peak levels – but only just. An early gain of 16.3 on the FT-SE Index largely disappeared as the UK government bond market, reinforcing its influence over the investment scene, fell sharply towards the end of the session.

By the close, the FT-SE Index was a mere 3 points up on the day at 3,009.1, albeit a new closing high; a new intraday peak of 3,022.4 was established early.

Once again, the equity sector was strongly influenced by stock index futures. The overseas investment institutions remained active but were highly selective in the UK stock market.

Anticipation of a cut in UK base rates remained high, encouraged by firmness in the German stock market on hopes of action by the Bundesbank.

The Footsie 100 Index was well-outpaced by the rise of 21.2 in the FT-SE Mid 250 Index to yet another new peak of 3,451.8. The Mid 250 Index, which covers the range of stocks just below Footsie 100 capitalisation levels, and is the favourite area for private client investment, has gained 4.2 per cent since the beginning of the month, compared with 2.8 per cent on the FT-SE 100 Index.

Customer business in equities jumped to £1.83bn on Wednesday as the Footsie Index soared through the 3,000 barrier. Seaq volume increased yesterday to 908.2m shares from the 830.4m of the previous session.

Firmness in UK stock prices contrasted with news of a sharp fall of 2.1 per cent in British manufacturing output in June, another increase in unemployment but a contrasting dip in average earnings. Wednesday brought news of dwindling confidence among British regional businessmen.

Share prices opened lower and the mid-morning upturn reflected activity in stock index futures but also the initial gains in the UK gilts market. Falling yields on UK government bonds have become a strongly bullish factor for equities. "Equities crash the gilt party," commented the strategy team at NatWest Securities yesterday, adding that it is to the gilt market that we must turn to find an explanation for such an exhilarating equity performance. NatWest Securities expects gilts to outperform equities over the next year or so, with its FT-SE target of 3,300 at end-1994 offering a real return of around 10 per cent over the next fifteen months.

Across the full range of the market, hopes for recovery in the domestic economy dominated. Leadership was taken by the building materials and construction groups which have everything to gain both from lower interest rates and from increased economic activity. Financial and store issues, which have outperformed the market over the past six months, came in for some profit-taking pressure.

An easier trend in sterling worked in favour of the leading export blue chips, which were also driven at first by demand from across the Atlantic. However, US interest slackened when Wall Street opened the new session more than 20 points down on the Dow Industrial Average.

The London stock market benefited from improvement in the pharmaceutical leaders whose poor performance has restrained the Footsie Index in recent months.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Aug 2	Aug 16	Sep 6
Option Declarations:		
Aug 12	Sep 2	Sep 16
Last Dealings:		
Aug 13	Sep 3	Sep 17
Account Day:		
Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

Standard Chartered volatile

AN ABRUPT change of heart by marketmakers in Standard Chartered, the UK banking group, saw the bank's shares stage a remarkable about turn, as initial disappointment with the bank's interim figures was transformed by the appearance of no more than a handful of buying orders.

These proved enough to uncover substantial short positions among marketers which immediately responded by marking the shares sharply higher.

The extent of the rally in Standard shares was breathtaking. News of slightly disappointing headline profits figure of £169m, sharply higher bad debts and slight disappointment with the extent of the dividend increase, saw dealers chop their opening price for Standard from an overnight 898p to 875p.

The downside pressure quickly evaporated, however, as analysts returned from the post-results meeting in buoyant mood, pointing to proposed Far Eastern listings for Standard shares and to prospects for a rise in share earnings this year and next. A flurry of buying drove the shares to an all-time high of 954p around midday. The shares closed a net 51 up at 949p.

Mr Peter Toeman at Hoare Govett said Standard shares "still look a good bet", while Mr Nick Dobby at Robert Fleming Securities said "with a prospective price earnings ratio for 1994 of 8.3 times in a rapidly growing part of the world currently much in vogue and dividend cover of nearly five times, the shares still look cheap".

Analysts said the chances of a rights issue, with the bank's tier one capital rising from 4.9 per cent to 5.4 per cent, "have all but disappeared. With earnings per share set to rise to around 91p this year and 115p next year, the bank has excellent dividend growth prospects." Talk of a possible takeover bid for the bank was said to have been overplayed. "With the share at around 950p and net asset value at 450p a predator would have to write off a lot of goodwill," said another banks analyst.

Thorn EMI weak

Worries of a stock overhang at Thorn EMI, following the company's decision to redeem a preference share issue early, sent the shares falling sharply. Leisure analysts said that the move could lead to a stock overhang since many preference holders were unlikely to want to hold on to their converted ordinary shares. At worst, this would mean over 11m Thorn shares coming on to the market over the next few weeks. The stock tumbled 31 to 931p on the announcement.

There was also other potentially bad news for Thorn yesterday. According to a US trade magazine, the Federal Trade Commission (FTC) is to launch an inquiry into the pricing policies of the major record companies in the huge US second-hand CD market, with the suggestion that the probe could be extended into the new CD market.

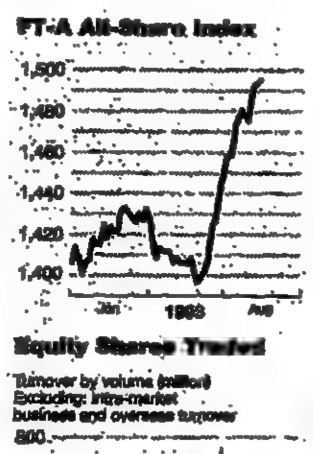
The move follows complaints from retailers of unfair pressure from the record companies in an attempt to keep the second hand market prices more in line with those of new CDs. One US music analyst said last night that the FTC had been hinting at such an inquiry for some time and that an extension into the brand new market was "quite likely". Thorn earns around $110m in sales from the US.

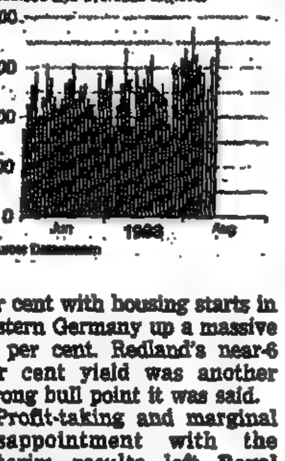
Redland in demand

Building materials group Redland was the FT-SE 100's second best performer after Standard Chartered, the shares rising 23, or 4.3 per cent, to close at 553p, their highest point since May last year when the building sector was said to have been reflecting a false dawn on the economic recovery in the UK.

The rise in the Redland share price followed news of a sharp increase in housing starts in Germany and news that BZW had increased its profits forecasts for the group.

The broker said it had lifted its current year earnings estimate from £246m to £255m and that for next year from £265m to £287m, to reflect the extent of economic recovery in the UK and the US. The shares also responded, according to dealers, to news that housing starts in Germany rose by 17½ per cent with housing starts in eastern Germany up a massive 90 per cent. Redland's near-6 per cent yield was another strong bull point it was said.





Profit-taking and marginal disappointment with the interim results left Royal Insurance one of the FT-SE 100's worst performers and finally 11 off at 333p, after 327p.

Water shares spearheaded a general advance by the utilities areas of the market, with the big institutions said to be hunting top quality, high yielding stocks following evidence that the recovery in the UK economy is faltering.

The biggest gains in the water sector came in the less widely traded stocks, such as Welsh Water, 20 higher at 605p, South West, 17 better at 532p, and Southern, 14 to the good at 539p. Severn Trent was the pick of the FT-Se 100 constituents, rising 13 to 511p.

The Scottish generators continued to attract keen interest from income funds ahead of the stocks going ex-dividend on Monday. Hydro settled 8½ up at 371p and Power 10 firmer at 356p.

Berkeley, the housebuilding group, was one of the outstanding performers in a generally strong building sector. The shares closed 7 up at 433p – their highest level since July 1987 – following a strong buy recommendation from Nikko Securities whose building analyst Mr Mark Hake described the stock as a "unique investment opportunity". Mr Hake said that Berkeley's focus on relatively small sites means that it is able to avoid the worst of the upward pressures on land prices since the land it acquires does not appeal to most of its quoted rivals.

Nikko also adopted a bullish stance on Marley, the building materials group due to announce interims on August 18. The broker recently upgraded its 1993 and 1994 estimates for Marley and forecasts interim profits of £12m for the group.

RMC came in for good support, on the back of Redland, the shares adding 6 at 816p.

News of the sale of a 20 per cent stake in Pilkington's Triplex Safety Glass subsidiary to Nippon Sheet Glass for £13.3m was viewed as good news by building sector specialists who said the move proved that Pilkington is seen as serious in getting its debt burden down. Pilkington shares settled 5 higher at 149p on good turnover of 3.2m with the warrants 3½ to the good at 50p.

Crest Nicholson's success in letting over 80,000 square feet of office accommodation at its Farnborough and Maidenhead developments triggered a surge of demand for the shares which responded with an 8½ advance to 71½p, their best level since July 1991.

A stock shortage drove Persimmon 11 higher to 292p while the recent buy recommendation from one of the markets leading agency brokers boosted Wilson Bowden 5 more to 439p.

Among food manufacturing stocks, investors sought out those stocks with attractive yields. Booker advanced 6 to 443p, Dalgety 7 to 495p – both stocks being recommended by Kleinwort Benson yesterday – and Hillsdown 7 to 162p. Unilever rose 11 to 976p ahead of results today. The market range is between £546m and £570m.

In the publishing sector, Mirror Group Newspapers went up 9 to an all-time high of 168p before retreating to 167p with a net gain of 8 on a turnover of 2.8m shares. SG Warburg made a strong buy recommendation on the group's prospects of both revenue rise and cost fall and a healthy figure from an Audit Bureau Circulation survey of national newspapers circulation, due next week.

Hoare Govett also believed the stock was undervalued and was recovering from the price war started in mid July among national tabloids which in turn caused the stock to underperform the market over the past weeks.

Reed International, the international publishing group which merged with Elsevier of Holland early this year, eased another 9 to 661p following the weakness of Elsevier listed in the Amsterdam Stock Exchange.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Zhang Tingting.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (223). BRITISH FUNDS (46) OTHER FIXED INTEREST (3) AMERICANS (8) CANADIANS (1) BANKS (10) BLDG MATLS (16) BUSINESS SERVS (3) Davis Service, Hogg Robinson, Serco, CHEMS (6) Akzo, BASF, BTP, Halstead (J), Schering, CONGLOMERATES (3) Daimler-Benz, Goode Durrant, Harrisons & Crosfield, CONTG & CONSTRCN (13) ELECTRICALS (7) ASEA, B, BICC 10¼pc Cv '20, Fujitsu, Motorola, NEC, Volex, Wholesale Fittings, ELECTRICITY (11) ELECTRONICS (8) Bowthorpe, [illegible] Chamberlin & Hill, [illegible] Cook (Wm), GBE, Savile Gordon, Thyssen, MISC [illegible] BAT 12½pc Ln. '03-08, [illegible] Norcros, Office & Elect., [illegible] Relyon, MOTORS (12) OIL & GAS (3) British Gas, Burmah, Royal, OTHER FINCL (22) OTHER INDLS (8) Cookson, McKechnie, Metrotect, Suter, Whitecroft, PACKG, PAPER & PRINTG (7) Bemrose, Boxmore, [illegible] Low & Bonar, NMC, RPC, Waddington (J), PROP (29) STORES (8) Argos, Essex Furn., Goldsmiths, Kingfisher, Do 8½pc Ln. '00, Marks & Spencer, Menzies (J), Storehouse, TELE NETWORKS (6) Cable & Wireless, Do 7pc Cv. '08, Securicor, Do A, Security Servs., Vodafone, TEXTS (4) Ingham, [illegible] Usher (F), TRANSPORT (4) Assoc. Brit. Ports, Dawsongroup, Forth Ports, P & O 5½pc Pf., PLANTATIONS (1) Rowe Evans, MINES (3) CRA, [illegible] Pacific, [illegible] Pacific.
NEW LOWS (9). AMERICANS (1) Abbott Labs., BUSINESS SERVS (1) Penna, CHEMS (1) Hickson, ELECTRONICS (1) Bick, ENG GEN (1) Farrum, HEALTH & HSEHOLD (1) Seton H'Care, MEDIA (1) [illegible], MISC (1) Ross, MINES (1) [illegible].

FINANCIAL TIMES EQUITY INDICES

	Aug 12	Aug 11	Aug 10	Aug 9	Aug 6	Year ago	*High	*Low
Ordinary share	2369.2	2379.1	2380.3	2374.5	2361.0	1722.2	2379.1	2124.7
Ord. div. yield	3.90	3.89	3.91	3.88	3.90	5.23	4.52	3.88
Earning yld % full	4.70	4.68	4.71	4.67	4.70	7.82	6.38	4.67
P/E ratio net	27.20	27.29	27.12	27.38	27.21	16.58	[illegible]	19.40
P/E ratio nil	25.16	25.23	25.08	25.32	25.16	15.43	25.32	18.14
Gold Mines	201.1	207.4	211.2	208.9	208.4	81.6	249.2	60.9

*For 1993. Ordinary share index since compilation: high 2379.1 11/8/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2378.4	2375.8	2380.9	2374.1	2371.9	2364.2	2367.9	2373.1	2371.9	2383.2	2361.9

Volume	Aug 12	Aug 11	Aug 10	Aug 9	Aug 6	Year ago
SEAQ Bargains	45,535	37,792	37,642	34,200	31,253	17,071
Equity Turnover(£m)†	-	1824.7	1568.0	1166.1	1481.3	816.9
Equity Bargains†	-	42,568	42,918	36,259	36,080	19,073
Shares traded (mil)†	-	709.2	643.7	507.9	587.1	369.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3009.1 +3.0	3451.8 +21.2	1495.38 +3.58

	Aug 12	Day's change %	Aug 11	Aug 10	Aug 9	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3009.1	+0.1	3006.1	2971.6	2966.4	2318.0	3.81	5.72	21.66	57.86	1084.51
FT-SE Mid 250	3451.8	+0.6	3430.6	3406.8	3399.4	2225.3	3.51	5.63	22.03	62.68	1236.64
FT-SE Mid 250 ex Inv Trusts	3461.5	+0.6	3441.6	3418.5	3413.2	2237.8	3.61	6.03	20.77	64.15	1235.58
FT-SE-A 350	1510.8	+0.2	1507.3	1491.6	1498.8	1120.3	3.74	5.70	21.75	28.67	1116.02
FT-SE SmallCap	1716.41	+0.6	1706.74	1696.39	1689.79	–	3.28	4.03	34.46	26.72	1286.11
FT-SE SmallCap ex Inv Trusts	1703.46	+0.5	1694.52	1686.58	1678.56	–	3.48	4.47	32.02	27.94	1277.48
FT-A ALL-SHARE	1495.38	+0.2	1491.80	1476.65	1480.86	1103.70	3.71	5.60	22.24	28.08	1124.58

	Aug 12	Day's change %	Aug 11	Aug 10	Aug 9	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
1 CAPITAL GOODS(214)	[illegible]										
2 Building Materials(26) … 99 FT-A ALL-SHARE(860)	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 High: [illegible] Low: [illegible]

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrctn	[illegible]											
Health & H	[illegible]											
Water	[illegible]											
Banks	[illegible]											

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or –	1993 High	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							
Five to Fifteen Years							
[illegible]							
Over Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or –	1993 High	1993 low	Yield Int.	Yield Red.
Index-Linked							
[illegible]							

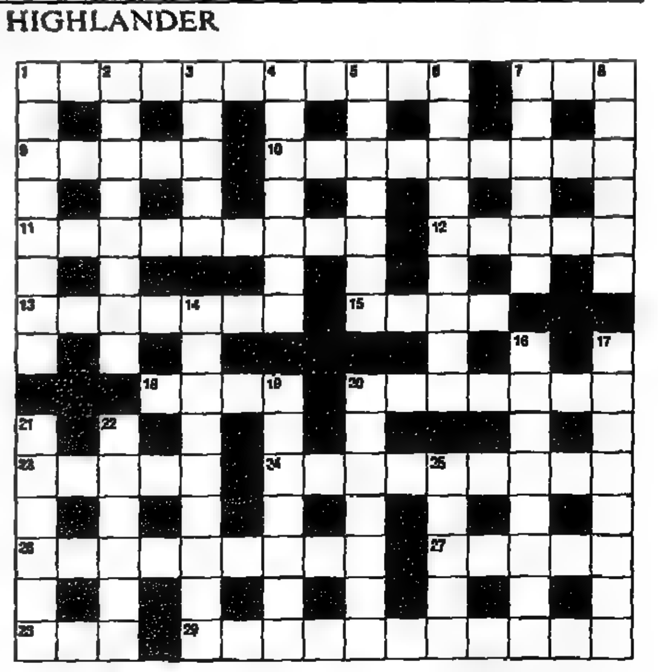
OTHER FIXED INTEREST

	Notes	Price £	+ or –	1993 High	1993 low	Yield Int.	Yield Red.
[illegible]							

Continued on next page

CROSSWORD

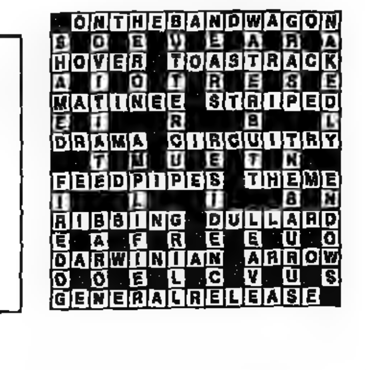
No.8,227 Set by HIGHLANDER



ACROSS
1 Make a lot out of service for Italian leader (4-7)
7 The Spanish female dwarf (3)
9 Runs vehicle reversing points (5)
10 Essence of gold used by dentist perhaps (9)
11 Nigel originally takes call delaying departure (9)
12 In debt with nothing on the side (5)
13 Tries to translate the French for "unproductive" (7)
15 Plan to corner carriage (4)
18 In practice box strikes back (4)
20 Make mass inside burn (7)
23 Feel sorry about knocking head off wader (5)
24 Beast well-protected from Spanish ships, in the main infirm and old (9)
26 Players appear in Horse and Cart together, drunk (9)
27 Meeting a northerner is like going on bed (5)
28 Origins of treason – hard-hitting exclusive article (3)
29 Carefully examined broken crust inside (11)

DOWN
1 Said in film to be a believer in ethical principles (8)
2 Extra King Edward supporter (8)
3 Old English name for sticky stuff (6)
4 Former working to Egyptian chronology (3-4)
5 Tense superior gets stoned (7)
6 Drink up, adjust boater and give more detail (9)
7 Call for small space in front of rear section (6)
8 Look for provisions for a long time (6)
14 Start to identify main pest disorder with Busy Lizzie (9)
16 Wizards engage in battles (8)
17 It's said to be left in grass (8)
19 Engineers go over performer's power source (7)
20 Agreement is brief and neatly packaged (7)
21 Rent free (3,3)
22 In looking for a clear day, consult forecaster (6)
25 Looking tired, pulled out (5)

Solution 8,226



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

GOOD two-way business was reported in the futures market yesterday as the September contract fought hard against profit-taking to end the session lower, writes Chris Price.

After Wednesday's powerful surge, which saw the future reach a record high, the first hour's trading was directionless.

However, buyers soon decided to test the market range again and the slow rise in September started to gather momentum. It hit 3,030 in the late morning, which turned out to be the high of the day.

The unemployment statistics and manufacturing output figures had little impact and a weaker gilts market saw sellers move in and a gradual decline in the contract began. A softer opening on Wall Street in the afternoon session also undermined support.

September closed at 3,016, around three points premium to its fair value level of three. Volume was a healthy 13,000 contracts.

British Gas was again prominent in the traded options market, heading the list of stocks. It traded 2,727 contracts and was followed by British Steel on 1,200, Barclays on 822 and Rolls-Royce with 773.

The total of 30,000 contracts compared well with the previous session's figure which was boosted by the last expiry date.

FT-SE volume was over 8,000, while the Euro-FTSE was half that amount.

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		15⅝xd	-13	20⅛	15⅝	13,078	2.8
Allegheny & W.	♥	708p	-14	722p	399p	387.9	2.8
Amdahl		358p	—	591p	302½p	389.8	0.9
Amer Cyanamid		32⅞	-⅛	38⅞	31¼	2,918	3.6
Amer Express		22⅞xd	-⅜	22⅞	14⅞	16,767	3.0
Amer T & T		42⅞xd	-¼	43¼	33⅛	57,019	2.1
Ameritech		55⅛	—	56⅛	46	24,573	4.4
BankAmerica		37⅞xd	+⅛	38⅛	27⅛	11,332	2.9
Bankers NY		52⅞xd	+¼	53⅞	42⅝	4,324	3.9
Bell Atlantic		40	—	40⅞	32¼	17,377	4.5
BellSouth		38	—	38⅞	32⅞	18,772	4.9
Bethlehem Steel	♥	9⅞xd	-¼	13⅛	8	848.5	—
Bowater		1351pxd	—	1882p	1287p	499.5	3.0
CPC		28⅛xd	+⅛	34⅞	28	4,269	3.1
California Engy		1232p	—	1470p	1086p	224.3	—
Chase Manhattan		23⅞xd	+⅛	24½	17⅞	3,858	3.5
Chrysler		29¼xd	-¼	32⅞	21⅛	6,565	1.4
Citicorp		22xd	-⅛	22⅛	13¼	8,042	—
Colgate-Palm		32⅞xd	-⅛	45⅞	32⅛	5,389	3.0
Cont'l Bank		1655p	-10	1677p	1278p	1,672	2.4
Dana		35½xd	-⅛	37⅛	29⅞	1,676	3.0
Data General		583p	+22	881p	527p	185.4	—
Decora Inds.	♥	112½p	—	148p	109p	—	—
Dun & Brad		40½	+½	42⅛	37⅛	7,218	4.1
Eaton		30⅞	+⅛	31⅛	25⅛	2,148	2.6
Echlin		19¼xd	+⅛	20½	15⅛	1,191	2.4
FPL		26⅛xd	-⅛	27⅞	23¼	4,859	6.2
Ford Motor		35⅞xd	—	38½	28⅛	17,389	1.9
Gen Elect		66⅞xd	-⅛	67⅛	53⅞	57,113	2.5
General Host	♥	571p	-7	723p	513p	—	4.2
Gillette		35⅞xd	+⅛	42⅞	31⅛	7,883	1.6
Hasbro		20⅞	—	20⅞	30⅞	1,819	0.8
Honeywell		24¼xd	+¼	26½	20⅛	3,382	2.4
Houston Inds		30⅞	+¼	33¼	29¼	3,998	6.5
Ingersoll-Rand		24½xd	+¼	25	19⅛	2,538	1.9
Lockheed		43¼	+⅝	45⅞	35⅛	2,853	3.3
Lowe's		2542p	+45	2861p	1573p	1,854	0.8
Maxy Technology		290p	+69	290p	127p	—	—

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Atlas Pkg	♣	215	—	215	138	—	226.0	4.9
Warrants		[illegible]						
Scot East	♣□	480	+5	480	225	—	—	—
Scottish Inv	♣†□	78	+1½	79	63½	2.4	89.7	11.9
Warrants	□	218	+1	218	183	2.8	249.3	12.2
Scot Mortgage	♣□	82½	+1½	82½	38	—	—	—
Scot National Inc	♣N□	218	+3	218	178	2.3	239.6	10.3
Cap	□	94	+½	95½	53	18.2	—	—
Stepped Pf		30	+2	31	16	—	93.5	70.1
Zero Div Pf		158½	—	159½	150¾	4.8	—	—
Warrants		222	+1	222	207	—	—	—
Scot Value	†N□	3¼	+¾	5	2½	—	—	—
Sec Alliance	♣†	88½	+½	90½	71	2.5	90.5	0.3
Second Consld	□	1578	+10	1578	1380	2.9	1694.2	6.3
Second Market	♣	181	+4	181	88	—	215.4	10.1
Sec Tst Scot	♣□	375	—	375	256	0.7	385.1	2.6
Select Assets	□	88½	+½	88	74½	4.7	88.3	2.0
Eq Ind Sert		150	+1	158	109½	1.0	181.9	17.8
Ec Ind Serll		143	+2	143	128	3.7	—	—
SHIRESCOT	♣	143	+2	143	128	3.7	—	—
Shires	♣M	138	+3	138	104	4.8	135.0	0.0
Siem Select		278	+1	278	231	7.6	278.0	0.6
Warrants		149xd	+1	149	97	0.6	164.9	10.0
Smaller Cos	□	47	—	48	15	—	—	—
Warrants		129	—	129	78	2.5	122.6	-5.0
Sphere Inc	□	48	+1	48	14	—	—	—
Zero Div Pf		32	+1	32	14	12.4	43.0	29.1
Units		91	—	91	80¾	—	—	—
Summit		855	—	855	785	—	—	—
TR City of Lon	□	78	—	78	39	2.2	94.6	17.6
TR Euro Growth	♣□	152	+3	152	126	4.0	141.9	-7.1
Ptg Sub		120	+2	120	76	1.4	122.5	2.5
TR Far East Inc	♣†□	84	+1	84	27	2.8	—	—
Warrants		157	+1	157	112	3.6	151.0	-3.3
TR High Inc		32	+½	32	22	—	—	—
Sub		128	—	128	102	8.9	123.5	-3.3
TR Pacific	♣□	31	—	32	25	6.4	—	—
TR Prop	♣□	162	+2½	162	110	0.3	153.0	-5.2
TR Smaller	♣□	31¾	+½	32	17	3.5	34.9	9.1
TR Technology	♣□	191xd	+3	191	140	2.5	194.0	1.6

[illegible]

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		111½	—	112	93	13.9	9.0	[illegible]
9¼pc Non-Cm Prf		132¾	+½	133½	113	53.1	8.2	[illegible]
Close Bros	♠†	383	-15	416	250	173.3	3.0	[illegible]
Hambros	♣□	379	-9	398	243	882.1	4.6	[illegible]
7½pc Cv Pf		182	-1	184	111½	243.0	5.8	[illegible]
Joseph (L)	♣	363xd	+5	363	313	19.0	5.7	[illegible]
Kleinwort Benson	†□	485	-7	502	312	848.4	4.1	[illegible]
Rea Bros	♣□	46	+2	47	39	18.0	1.4	[illegible]
Schroders	♣h	1183	-2	1193	467½	1,186	1.2	[illegible]
NV	h	1085	-8	1100	387½	303.8	1.3	[illegible]
Singer & Fried.	♣□	73	+2	73	48	140.5	4.5	[illegible]
Warburg (SG)	♣N□	798	-10	810	529	1,717	3.0	[illegible]
6pc Cv Pf		281	+3	281	185	119.9	2.7	[illegible]
Waltrust	♣	250	+5	263	188	21.2	4.8	[illegible]

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	N□	230	—	233	81	153.9	3.3	[illegible]
Apollo Metals	†	105	—	128	84	17.8	4.1	[illegible]
Ash & Lacy	♣	151	—	170	143	39.4	5.3	[illegible]
Billiton (J)		249	-7	312	129	4.83	2.5	[illegible]
Brit Steel	N□	117	—	117½	64	2,340	1.1	[illegible]
CI	□	24	—	28	17	20.8	5.2	[illegible]
Castings		200	+2	200	158	42.2	2.7	[illegible]
Chamber & Hill		150	+5	159	113	11.0	5.2	[illegible]
Cohen (A)		318	—	408	295	5.84	2.7	[illegible]
Cook (Wm)	□	228	+21	228	120	49.5	2.8	[illegible]
Cooper (F)	♣□	72	—	77	43	25.8	‡	[illegible]
Ferraris	†□	68	—	68	32	6.38	2.3	[illegible]
Firth (GM)	□	8½	—	16½	8	2.87	—	[illegible]
GBE Intl		74	+5	74	63	40.1	3.6	[illegible]
Garton		94	—	98	79	3.58	3.3	[illegible]
Glynwed Intl	□	317	—	317	245	683.0	4.7	[illegible]
Goodwin		38	—	39	28	2.74	2.2	[illegible]

[illegible]

MISCELLANEOUS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

STORES

[illegible]

OIL & GAS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK

City of Westminster Assurance (z)

Friends Provident

Irish Life Assurance Co Plc

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prudential Corporate Pension Funds

55 King's Road, Reading RG1 3AH 0734 494852

Prudential Individual Life Funds

55 King's Road, Reading, RG1 3AH 0734 494852

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh

Scottish Life Investments

19 St Andrew Square, Edinburgh

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Equitilink International Mngt Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Lloyds Bank Trust Co (CI) Mngrs

Management International (Jersey) Ltd

Minerals, Oils Res. Shs. Fd. Inc

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Royal Trust Int Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (u)

Bank Von Ernst & Co AG

Banque Colonie Luxembourg SA

Barclays Diversified Portfolio

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Commercial Union Luxembourg

Credit Suisse

Dolphin Intl Investments (u) SICAV

Dresdner Bank

Emerging Markets

Fidelity Funds

INVESCO International Limited

Fleming Group

Hypo Foreign & Colonial Port Fd Sterling

Jardine Fleming Global Fund

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund

Latin American Securities Ltd (u)

Liberty ALL-STAR World Pfolio-Eqty Fd(u)

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(u)

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u)

Saracin Investment SICAV (u)

Schroder International Selection Fd (u)(z)

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd (u)

S.G. Warburg Asset Mngmt Lux SA (u)

Wardley Investment Services (Lux) SA (u)

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Alliance Capital

Asian Development Equity Fund

Atlantis Star

BAII Intermarket Fund

Banque Ferrier Lullin (Lux) SA

Banque Indosuez Luxembourg

Banque Paribas Luxembourg

CS Fund International

Capel-Cure Myers Intnl Fd Sicav (u)

Citicorp Investment Mgmt (Luxembourg) SA

Clemente Korea Emerging Growth Fund

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Daiwa Japan Bond Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Eurco Management S.A.

Europa Value Fund (u)

EuroSplec (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fleming Group

Gartmore Luxembourg S.A.

H.C.M. HYPO Capital Mgmt Luxembourg SA

International Bond Trust

International Specialty Fund (u)

INVESCO International Limited

Investlied Investment Fund SICAV

Investments Atlantiques SICAV

Latin American Securities Ltd

Lloyds Bank Luxembourg

Mediterranean Fund (SICAV) (u)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Murray Universal, Sicav

NM Income & Growth Fd

NICAM Asia Pacific Umbrella Fund

Nord Currency Fund

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

Parmagel

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

SCUTECH SA

Scudder, Stevens & Clark

Sumitomo Trust International

Target International Ltd

Templeton Emerging Asia

Templeton Worldwide Investments

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frankfurter

Uni-Global

Vetco Financial Services SA Lux

Wardley NAFT (Luxembourg) SA

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 GMMI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

S.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATBP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysia Growth Fd (Cayman) Ltd

Alliance Capital

Allied Dunbar Intl Fund Mngrs (1600)F

Alpha Fund Management Ltd

Asia Currency Funds

Asian Convertibles & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Julius Baer Bond & Trust Co Ltd

Bank Von Ernst & Cie AG

Ball Fr Serv & Cr/Barrp Inv Mgt Ltd

Barclay Eurofutures Fund Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Capital Company Ltd

Bermuda Intl Invest. Mngt Ltd

Border Funds Ltd

The Brazilian Inv Fund

Bridge Management Ltd

Buckmore Fund Ltd

Butterfield Management Co Ltd

Cambridge Fund Mgmt

Centrale ITBC Fund Management

Capital International

Chemical Bank

The Chile Fund

China Investment Group

The China Invest & Development Fd Ltd

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Crédit Agricole Group

Crystal Corporation N.V.

Daiwa Japanese Equity Warrant Fund

Deutsche Investment-Trust

Dragon International Bank

Scottish Investment Trust Co Ltd

Daiwa Capital Management (U.K.) Ltd

East Asia Mgmt Asset Mngt Ltd

Emerging Markets Management

The Environmental Investment Co Ltd

Ermitage Group

Europa 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

FK Guernsey (Bermuda) Ltd

Fairbanks Global Capital Fund Ltd

Falcon Fund International Inc

Fidelity Investments

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Formosa Fund

Formosa Growth Fund Limited

Frankfurt Trust Investment-GmbH

The GAM Diversified Fund Ltd

GT Chile Growth Fund Ltd

GT Management Plc

Garmore Fund Managers

Gartmore Sector Analysis Portfolio NV

Genesis Fund Management Ltd

Gensec SA

Global Asset Management

Global Government Plus Fund Ltd

Goldman Sachs

Green Way Guernsey Ltd

Greater Portfolio Ltd

Group One Limited

Group One International Tst

Guinness Flight Fund Mngrs (Guernsey) Ltd

Guardian Fund Limited

Gulvay Hotels Fund Management GmbH

Hansa Invest GmbH

Hill Samuel Investment Management

Indosuez Asia Invest Services Ltd

The Japan Fund Ltd

The Japan Capital Bond Trust

Jardine Fleming Unit Trusts Ltd

Johnson Fry Securities Ltd

Kemper

Korea Intl Investment Trust Co Ltd

Lehman Brothers Capital Bond Fund

Lloyds Asia Ltd

Lloyds George Management

London Portfolio Services Group

M&G Meridian Fund

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Manx International Futures

Mauritius Fund Ltd

Merrill Lynch Asset Management

Merrill Lynch Germany

Mondrian International Ltd

Newmarket Asset Mngt

Montgomery Emerging Markets Fund

Morgan Grenfell Investment

Morgan Stanley Emerging Market Fund

Morgan Stanley Japanese Warrant Fund NV

National Investment Trust Company Ltd

Newport International Management Ltd

Nomura Warrant Fund

North Star Fund Managers (Guernsey) Ltd

Odey Asset Management Ltd

Old Broadway International Ltd

Oppenheimer Partners Ltd

Optima Fund Management

Orbitex Asset Management Ltd

Orbitex Asia Fund Ltd

Orient Growth Fd

PPC Allianz Fund Portfolio Fd Mngt Ltd

PPC International

Pacific Growth Fund

Pakistan Fund

Pegasus International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Putnam International Advisors Ltd

Quantum Group

Real Estate Strategies Ltd

Regent Fund Management Ltd

Republic New York Funds

Rosenwald, Gould & Co

Rothschild Asset Management (CI)

Royal Trust Intl Money Market Fund

Sabre Futures Fund

Safra Republic Holding

Schroder Investment Management Limited

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Schroder (Switzerland) Fund

Selector Bermuda Funds

Scudder, Stevens & Clark Inc

Singapore Securities (Bermuda) Ltd

Smith Barney Shearson (Bermuda) Ltd

Société Générale Asset Management Inc

Sun Hung Kai

Sumitomo Invest Mngmt (Bermuda)

State Street Europe SA

Takasso Fund Managers Limited

Taipei Fund

Taiwan Index Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Limited

Thomas Currency Funds

Thornton Investment Management Ltd

Trans Global Investments Limited

Tyndall International (Bermuda) Ltd

Ultra Fusion Fund Ltd

Ultra Hedge Fund Ltd

Ultra Sector Fund Ltd

Ultra Value Fund Ltd

Volta-Tres Investment Management Ltd

The Vietnam Fund Limited

Vigilant Fund Company Ltd

Wardley Investment Services Ltd

Wells Fargo Investment Ltd

World Fund Ltd

Worldwide Limited

Xiphias International Investment Fd Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Reserves push down franc

THE French franc and Danish krone came under renewed pressure in the reformed exchange rate mechanism yesterday as dealers took the view that the currencies could not be sustained much longer by high interest rates, *writes James Blitz.*

Both countries have kept liquidity tight in their money markets to preserve their currencies' parities with the D-Mark. But the lack of foreign exchange reserves in their central banks highlighted the weakness in the high interest rate policy.

In its reserve figures for the week to August 5, the Bank of France revealed that it probably has a large deficit following intervention to support the French franc earlier this month.

Mr Robin Marshall of Chase Manhattan Bank has calculated that the French have a net debt of FFr350bn and that, even if it were to liquidate all its gold and ecu holdings, the Bank would still be FFr30bn "in the red."

Mr Marshall's assessment is among the more pessimistic. But the news on the reserves forced the French franc down to a low of FFr3.52 yesterday. It later closed at FFr3.514 to the D-Mark, about a third of a centime down on the day.

The Danes may also have few reserves in their central bank because they announced a bond issue worth SFr1bn yesterday, in addition to the £1.2bn in sterling last week.

But the krone also fell back yesterday, falling from about DKr3.406 to the D-Mark to a London close of DKr4.1135. It was striking yesterday that the Danish krone was 6.98 percentage points lower than the Dutch guilder in the ERM grid, compared to the 2.25 percentage points of fluctuation permitted before the ERM reform.

The ERM aside, the main focus in currency markets was on the Japanese yen, which again thrust upwards to another post-war high of Y103.00 against the dollar. It later closed in London at Y103.15, down from a previous close of Y103.70.

The Bank of Japan intervened substantially to support the currency, with some dealers suggesting that several billion dollars were bought in attempts to push the currency down. The Bank also called for concerted G-7 intervention on the dollar/yen exchange rate, but there was no comment at all on the issue from US officials.

The dollar, however, was somewhat stronger against the D-Mark, closing at DM1.7200 from a previous DM1.7180. Dealers said that a modest 0.1 percentage point rise in US retail sales in July had little impact on the currency.

Sterling weakened by 1½ pfennigs against the D-Mark yesterday in the wake of poorer than expected figures for manufacturing output and unemployment in the UK. There are expectations that the British government will cut interest rates, but this was not reflected in money markets. The pound closed at DM2.5175.

£ IN NEW YORK

Aug 12	Latest	Previous Close
£ Spot	1.4600 - 1.4620	1.4700 1.4710
1 month	0.35 - 0.34pm	[illegible]
3 months	0.97 - 0.95pm	1.00 0.98pm
12 months	2.67 - 2.60pm	2.65 2.58pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
D-Mark	1.94964	1.91792	-1.63	7.37	-
Dutch Guilder	2.19672	2.16143	-1.61	7.36	-
Irish Punt	0.808628	0.819289	1.32	4.26	-9
Portuguese Escudo	192.854	196.137	1.70	3.85	-11
Belgian Franc	40.2123	40.9471	1.83	3.73	-13
Spanish Peseta	154.250	158.438	2.72	2.83	-19
French Franc	6.53883	6.73003	2.92	2.62	-24
Danish Krone	7.43679	7.85487	5.62	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indication values only. Divergence Indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4570 - 1.4775	1.4625 - 1.4635	0.36-0.34cpm	2.87	0.97-0.94pm	2.61
Canada	1.9100 - 1.9400	1.9125 - 1.9135	0.32-0.22cpm	1.69	0.81-0.57pm	1.44
Netherlands	[illegible]	[illegible]	⅛-¼cdis	-0.79	⅛-⅜dis	-0.35
Belgium	53.60 - 54.10	[illegible]	18-29cdis	-5.23	37-60dis	[illegible]
Denmark	[illegible]	10.3325 - 10.3425	7⅝-10⅞oredis	-10.67	14¾-20½dis	-6.62
Ireland	1.0730 - 1.0685	1.0750 - 1.0760	0.14-0.18cdis	-1.78	0.19-0.31dis	-0.93
Germany	2.5130 - [illegible]	2.5150 - 2.5200	⅛-⅜pfdis	-1.19	⅜-⅝dis	-0.79
Portugal	[illegible]	258.00 - 259.00	125-138cdis	-6.10	389-414dis	-5.88
Spain	[illegible]	208.00 - 208.30	87-103cdis	-5.48	257-273dis	-5.09
Italy	[illegible]	2370.25 - 2371.25	7-8liredis	-3.80	19-20dis	-3.29
Norway	10.9405 - 11.0365	[illegible]	⅛orepm-par	0.41	1⅛-⅛pm	0.20
France	8.8370 - 8.9015	8.8425 - 8.8525	1⅞-2⅛cdis	-2.88	3⅞-4⅛dis	-1.81
Sweden	11.8375 - 12.0290	11.9325 - 11.9425	1⅞-3⅛oredis	-2.45	4⅞-6¼dis	-1.84
Japan	[illegible]	150.50 - 151.50	⅜-¼ypm	2.98	1⅛-1pm	2.81
Austria	17.66 - 17.84	17.67 - 17.70	⅛-1⅛grodis	-0.68	1-3⅛dis	-0.54
Switzerland	2.2325 - 2.2535	2.2325 - 2.2425	⅜-¼cpm	1.34	⅝-⅝pm	1.23
Ecu	1.3105 - 1.3290	1.3105 - 1.3115	0.28-0.32cdis	-2.75	0.58-0.62dis	-1.78

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.83-1.58pm. 12 Month 2.61-2.51pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4570 - 1.4775	1.4625 - 1.4635	0.36-0.34cpm	2.87	0.97-0.94pm	2.61
Ireland†	1.3540 - 1.3650	1.3570 - 1.3580	0.60-0.55cpm	5.08	1.35-1.20pm	3.76
Canada	1.3095 - 1.3150	1.3095 - 1.3105	0.11-0.15cdis	-1.19	0.42-0.45dis	-1.33
Netherlands	1.9315 - 1.9430	1.9370 - 1.9380	0.55-0.58cdis	-3.50	1.46-1.52dis	-3.08
Belgium	36.40 - 36.90	[illegible]	22-28cdis	-8.14	50-65dis	-6.24
Denmark	6.9700 - 7.0760	7.0625 - 7.0675	5.25-7.75oredis	-11.04	14.25-17.25dis	-8.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100)

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
118	4.78	-	-	-	0.06	0.09
119	3.79	-	-	-	0.11	-
120	2.79	2.66	5.36	0.01	0.18	0.30
121	1.80	1.91	-	[illegible]	0.33	-
122	[illegible]	1.27	-	0.08	0.57	-
Open Int	120,080	100,701	21,895	222,791	[illegible]	16,033

Estimated volume 58,744 † Total Open Interest 585,842
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Speculation on UK

Expectations of a cut in UK base rates remained fairly strong yesterday after a small increase in unemployment in July and a slight drop in manufacturing output in June, *writes James Blitz.*

Yesterday's unemployment figures showed the first net monthly rise for six months. At the same time, a 2.1 per cent drop in manufacturing output in June more than offset the 1.5 per cent rise the month before.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

One sterling money market dealer said that the figures had triggered a new round of speculation that UK base rates would be cut, with a few market operators even wondering whether monetary policy might even be eased today. However, another dealer dismissed this idea: "You have to ask yourself whether there is any political rationale behind such a cut, and right now, there isn't," he said.

The September and December short sterling contracts remained strongly bullish for a cut, although they did not alter much during the day. The September contract was up 2 basis points at 94.29 at the close, while the December contract fell 2 basis points on the day to close at 94.73.

Sterling cash markets were more-or-less unchanged. Three month money dipped slightly from 5.78 per cent to 5.75 per cent on the bid side. There was a shortage of £1.1bn in the discount market, and only £30m of late assistance.

European markets were very quiet, although another poor set of reserves figures from the Bank of France led some dealers to think that interest rates would only come slowly there.

The September French franc contract was up 4 basis points on the day at 93.42, quite a modest performance in the wake of the previous day's heavy buying.

In the cash market, 3 month French francs closed about 20 basis points higher on the day at 7.95 per cent as the franc came under heavy pressure in the wake of the reserves figures. German call money eased yesterday after the Bundesbank had surprised the market on Wednesday by adding a net DM10.3bn to the banking system.

Call money hovered around 6.75 per cent after 6.80 per cent the previous day. Some dealers said the high levels of liquidity had left the market in a good position to meet a season of tax payments which should start next week.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close August 12

INDICES

NEW YORK

DOW JONES	Aug 11	Aug 10	Aug 9	Aug 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3563.35	3572.73	3576.08	3560.43	3583.35 (11/8)	3241.95 (20/1)	3583.35 (11/8/93)	41.22 (2/7/32)
Home Bonds	108.64	108.88	108.79	108.72	108.88 (10/8)	103.49 (11/1)	108.88 (10/8/93)	54.99 (1/10/81)
Transport	1620.01	1630.27	1617.66	1603.34	1683.08 (15/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	251.06	250.00	251.12	250.66	252.04 (5/8)	217.14 (8/1)	252.04 (5/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3597.94 (3589.83) Low 3550.93 (3547.02) (Theoretical♠)
Day's High 3583.90 (3579.43) Low 3572.73 (3564.62) (Actual♠)

STANDARD AND POOR'S	Aug 11	Aug 10	Aug 9	Aug 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	450.46	449.62	450.72	448.66	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	508.63	507.22	509.35	507.59	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.84	46.68	46.67	46.59	46.88 (10/8)	39.89 (8/1)	46.88 (10/8/93)	8.64 (1/10/74)
NYSE Composite	249.99	249.60	250.08	248.91	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	438.87	439.18	438.80	438.34	440.86 (4/6)	395.84 (8/1)	440.86 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	718.77	717.08	718.49	718.08	718.77 (11/8)	645.87 (26/4)	718.77 (11/8/93)	54.87 (31/10/72)

	Aug 6	Jul 30	Jul 23	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.88	2.83	3.82
	Aug 4	Jul 28	Jul 21	year ago (approx.)
S & P Industrial div. yield	2.53	2.59	2.55	2.68
S & P Indl. P/E ratio	25.09	25.06	25.09	28.50

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Maxus Energy	4,875,800	8⅛	- 1⅛
Limited	4,465,100	21⅞	+ ⅛
Merck	4,297,800	29⅝	- ⅛
Telefonos	3,539,800	51⅞	+ ⅞
Eastman Kodak	3,532,200	61¼	+ ⅝
United Health	3,517,900	52¾	- 6¾
Wal-Mart	3,350,300	25⅝	+ ⅝
Humana	3,058,400	10¾	- ¼
Fed Dept Sto	2,751,400	21¼	- ⅞
K Mart	2,556,800	22⅝	+ ½

TRADING ACTIVITY

† Volume (Millions)	Aug 11	Aug 10	Aug 9
New York SE	266.135	256.494	228.066
Amex	21.189	17.178	16.305
NASDAQ	291.805	260.861	236.180
NYSE			
Issues Traded	2,587	2,585	2,612
Rises	1,058	980	1,206
Falls	861	957	797
Unchanged	668	648	609
New Highs	155	133	151
New Lows	44	46	32

CANADA

TORONTO	Aug 11	Aug 10	Aug 9	Aug 6	1993 HIGH	1993 LOW
Metals & Minerals	3123.66	3118.83	3036.02	3014.85	3123.66 (11/8)	2743.31 (21/1)
Composite	4015.89	4028.44	4002.20	3980.00	4028.44 (10/8)	3275.80 (21/1)
MONTREAL Portfolio	1910.40	1921.50	1909.21	1888.98	1928.10 (25/6)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical [illegible] the highest and lowest prices reached during the day by each stock; [illegible] supplied by Telekurs) represent the highest and lowest values that the [illegible] (The figures in brackets are previous day's. ♥ Subject to official recalculation.

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · IRELAND · ITALY · JAPAN · MALAYSIA · NETHERLANDS · NORWAY · PHILIPPINES · SINGAPORE · SOUTH AFRICA · SOUTH KOREA** · SPAIN · SWEDEN · SWITZERLAND · TAIWAN** · THAILAND · WORLD

M.S. Capital Intl.(1/1/70) ♥	559.7*	558.1	[illegible]
Euro Top-100 (26/6/90)	1105.28	1098.45	[illegible]

**Saturday August 7 Taiwan Weighted Price 4029.54, Korea Com[illegible]
♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, BEL20, [illegible] 1,000, JSE Gold - 255.7, JSE Industrials - 264.3 and Austral[illegible]

TOKYO - Most Active Stocks

Thursday, August 12, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.7m	383	+13	NEC Corp	6.8m	1,040	+10
Cosmo Oil	9.4m	827	+27	Tokyo Gas	6.4m	565	+16
Itochu Corp	9.2m	610	+19	Nikko Sec	6.4m	1,340	-40
Mitsubishi Cable	8.4m	921	+25	Kawasaki Steel	6.2m	375	+18
Mitsui Co Ltd	6.8m	798	+10	Sumitomo Elec	6.0m	1,290	+30

4 pm close August 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	675	65	13⅝	13½	13½	
29⅜	13¾	A L Labs A	0.18	1.1	34	354	17½	17⅛	17⅛	-⅜
65⅞	54⅝	AMP Inc	1.60	2.5	23	1422	65⅝	64½	64⅞	-⅝
72¾	55½	AMR			17	2881	65⅝	64⅛	65¼	+¼
2¾	1¾	ARX			14	77	2½	2⅜	2⅜	-⅛
51½	29⅞	ASA	2.00	4.5	29	1141	45½	43¾	44¼	-1¼
30¾	22⅝	Abbott Lab	0.68	2.9	14	18326	23½	22⅞	23⅜	+⅜
12⅞	9⅞	Abitibi Pr	0.50	5.2	4	70	10¼	d9½	9⅝	-¾
14¾	8¾	Acptmopin			231	81	14	13¾	13⅞	-⅛
33	25½	ACE Ltd	0.40	1.2		512	32⅜	32¼	32⅜	
12	10⅝	ACM Grt In x	0.96	8.7		431	11⅛	11	11	
10	9⅛	ACM GvOpp x	0.80	8.0		15	u10	9⅞	10	+⅛
9⅞	8¾	ACM Grt Sp x	0.80	8.6		689	9¼	9⅛	9¼	+⅛
11⅝	10½	ACM Grt Se	0.96	8.8		644	11	10¾	10⅞	
11⅝	9⅝	ACM Man x	1.08	9.5		186	11⅜	11¼	11⅜	
9⅜	8⅝	ACM Mangd x	0.72	7.9		196	9¼	9⅛	9⅛	-⅛
12⅞	7¾	Acme Clevel	0.44	4.0	14	109	11⅜	10⅞	11	-⅛
9¾	6½	Acme Elect			250	18	7½	7½	7½	
24⅞	18⅝	Acordia	0.44	1.8	14	61	24¾	24½	24¾	+⅛
18	10⅝	Acuson			33	273	12	11¾	12	+⅛
22¼	19⅝	Adams Expr	0.48	2.4	1	144	20¼	20	20	-⅛
68	45½	Ad Micro	3.00	4.8		240	62	61	62	+⅛
32¾	17⅞	Ad Micro P	3.00	10.0	11	8590	30⅛	29⅜	30	+⅜
7¾	5½	Advest Grp	0.16	2.5	11	244	6½	6⅜	6½	+⅛
24¾	16¼	Advo Inc	0.08	0.5	18	155	16½	d16⅛	16½	+¼
49⅞	41⅛	Aegon ADR	2.95	6.3	9	62	47	46¾	47	+⅛
60	43⅜	Aetna Lf	2.76	4.6	41	1984	59½	58¾	59½	+⅞
14½	11½	AfHB A	0.26	1.8	30	388	14¼	14⅛	14⅛	-⅛
32¼	26⅜	Aflac	0.40	1.3	15	1561	31⅞	31⅛	31⅞	+¼
22⅛	16¾	Ahmanson	0.88	4.6	22	1287	19¼	19	19¼	
7¾	4	Aileen Inc			6	53	4½	4¼	4½	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

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Continued on next page

NYSE COMPOSITE PRICES

4 pm close August 12

Continued from previous page

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 12

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 12

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABWBcpnts	0.32	16	2646	19	18¼	18⅞	+½
ABS Inds	0.10	14	50	12¼	11½	12	
AGC Corp	0.12	35	487	15½	14¾	14¾	-⅜
Acclaim E		46	8905	u36½	35⅝	35⅝	
Acme Mtrs		132	96	17¾	16½	17¼	-½
Acxiom Cp		30	156	18¼	17⅝	18	
Adaptech		15	13331	31	29¾	30	-⅜
ADC Tele		30	549	32¼	31¾	32⅛	-⅛
Addington		45	424	17	16½	16¾	-¼
Adia Serv	0.16	18	20	u25½	24½	24½	
Adobe Sys	0.20	28	12850	29⅞	27½	27½	-1¾
Advance C		8	398	10¼	9¾	10	+⅛
Adv Logic		4	108	3¼	3	3	
Adv Polym		14	1039	6½	6⅛	6¼	-¼
AdvTchLab		29	161	17¼	17	17	
Advanta	0.25	20	1557	u55¼	53¼	53¼	-2
Affymax		13	331	13¼	12¼	12¼	-½
Agency Re		14	518	u9	8⅝	8¾	-¼
AgnicoEa	0.10	46	4768	9⅝	8⅝	8⅞	
Akzo ADR	2.60	16	108	u45	43⅞	44⅝	+¾
Aldus Cp		64	584	17	16¼	16¾	-½
Alex Bald	0.88	15	498	25¾	25	25¼	+½

[illegible]

AMERICA

Dow subsides in spite of good inflation data

Wall Street

AN UPSURGE in bonds failed to lift US stock markets yesterday morning, with share prices falling sharply on futures-related selling and profit-taking, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 26.55 at 3,556.80. The more broadly based Standard & Poor's 500 was 2.43 lower at 446.03, while the Amex composite was down 1.44 at 437.43, and the Nasdaq composite down 3.52 at 715.25. Trading volume on the NYSE was 177m shares by 1pm.

Although prices opened higher, stocks were unable to sustain the upward momentum in spite of a bond market rally which pushed the yield on the benchmark 30-year issue down to a record 6.389 per cent. The bond market was reacting to surprisingly good inflation data in the form of the July producer prices index, which fell 0.2 per cent. The decline was unexpected, and indicated that inflationary pressures in the economy are even weaker than analysts had thought.

The failure of stocks to follow bonds higher unsettled dealers and investors. This triggered some profit-taking, and in turn, heavy selling in the futures markets. The decline in futures subsequently set off computerised sell programs in the underlying cash markets, depressing stocks further.

Equities may have been troubled, too, by the day's other main economic data – the 0.1 per cent rise in July retail sales. The increase was smaller than forecast, and suggests that consumers remain reluctant to spend heavily while the economy stumbles and the labour market remains depressed.

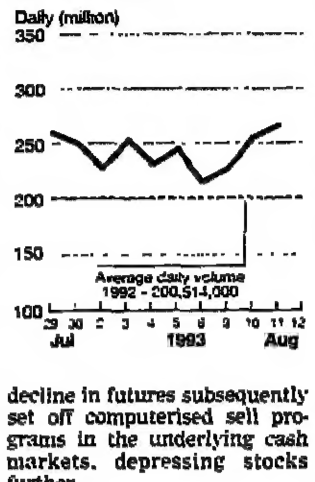
Among individual stocks, healthcare companies rebounded from Wednesday's big losses after the White House said that a document circulating around Wall Street, which was reportedly a draft of the Clinton administration's healthcare reform initiative, was a fake. The pronouncement lifted HMO America $1⅞ to $34½, United Healthcare $2½ to $55¼, and US Healthcare, which is quoted on the Nasdaq market, $1⅞ to $43⅞.

Johnson & Johnson rose $½ to $36½ as the stock rallied from losses incurred earlier in the week when the company said it was eliminating 3,000 jobs as part of a cost-cutting programme. The share prices had started the day at a 52-week low. Other drug stocks, however, succumbed to selling.

T2 Medical plunged $4⅝ to $8¾ in volume of 1.6m shares after the company said that it would restate earnings for the first and second quarters after irregularities were discovered in the company's accounts.

Mexican share prices fell on renewed concern about the viability of the North American Free Trade Agreement, following Canadian objections to the deal. By late morning, the 37-share IPC index had dropped by 22.69, or 1.25 per cent, to 1,787.41.

NYSE volume



Canada

TORONTO gave up a small early advance and by noon, the TSE-300 index was 1.05 lower at 4,000.84.

EUROPE

UBS delights Swiss bank supporters

HIGHLIGHTS of the day included reaction to the UBS results in Switzerland and the consolidation of overnight gains in Germany, *writes Our Markets Staff.*

ZURICH powered ahead after UBS unveiled a net profit rise of 89 per cent, confounding even the most optimistic estimates of around 50 per cent. The SMI index rose 39.3 or 1.6 per cent at to an all-time high of 2,450.0, amid broadly based buying by domestic and foreign investors.

UBS added SFr22 to SFr1,221 after a record intra-day high of SFr1,235 and the upbeat mood spilled over to the other banks which are also due to report soon. SBC rose SFr14 to SFr478 and CS Holding was SF80 ahead at SFr2,860.

Among industrials, Sandoz registered shares added SFr115 to SFr3,165 as the group confirmed that it was expecting a stronger second half performance.

FRANKFURT incorporated Wednesday's post-bourse climb to 1,894.63 as the DAX index broke 1,900 to close 39.15, or 2.1 per cent higher at 1,904.95. It appeared to be going for a repeat performance yesterday afternoon as the the Ibis-indicated DAX approached 1,920, although it subsided later to 1,908.76.

Turnover jumped from DM8.4bn to DM12.2bn. Mr James Cornish at NatWest Securities said that any time the market has faltered recently, American buyers have come in – compensating for potential currency losses on the rising dollar by buying dollar-sensitive, German exporters.

One of Germany's super-sensitive stocks, Volkswagen, showed the American effect yesterday, rising DM15 to DM384.50 over the official session, and as high as DM398, 8 per cent up on the day in the post-bourse before easing to DM393. Other cyclical exporters like Daimler, engineers and steels showed up well, Thyssen in particular climbing DM12.50 to DM218.

Mr Nigel Longley, at Commerzbank, said that UK and, later, US buying yesterday left domestic traders effectively short. "They didn't have the shares to cope with US afternoon demand," he said.

MILAN held up firmly for much of the session but some late profit-taking left shares off their best levels and the Comit index finished just 2.18 better, at a high for the year of 590.96.

Ferruzzi and Montedison resumed trading after their two-day suspension. Analysts believed that short covering helped Ferruzzi to recoup a large part of its early losses to finish L120 or 28.6 per cent lower at L299. The shares were marked 75 per cent down at L101 in early trading.

Montedison fell 20 per cent at the opening, but finished L59.5, or 7.7 per cent lower at L710, its announcement of an increase in first-half operating profit giving support.

Olivetti, L56 higher at L2,115 and its parent, Cir, L70 higher at L1,700, were unable to maintain their best levels of the day. Both had gained strongly in recent days on renewed rumours that DEC of the US might want an increased Olivetti stake.

AMSTERDAM continued its record breaking run, but closed below its best in busy, volatile trading. The CBS Tendency index rose 1.3 to 128.40.

KLM set an intra-day high for the year of Fl 38.90 after reporting a small rise in first quarter net profit. But profit-taking trimmed the gain to Fl 1.00 at Fl 37.60. Fokker closed Fl 1.70 firmer at Fl 23.00 on news of a US order. Hoogovens, the steel and aluminium group, closed Fl 1.20 lower at Fl 50.10 after a wave of profit-taking which pushed it to a low of Fl 47.10.

Continuing demand for cyclicals pushed Akzo, the chemical group, up Fl 3.40 to Fl 173.90 and KNP BT, the paper maker, Fl 1.30 higher to Fl 38.90.

PARIS ended weaker after setting a record intra-day high, dealers blaming profit-taking as the CAC-40 index closed 5.52 lower at 2,161.87 after an earlier peak of 2,179.04. Turnover stayed high at FFr5.6bn.

Michelin, one of the week's strong performers, lost FFr3.70 at FFr195.50. Gains remained in laggards like Club Mediterranee and Eurodisney, up FFr18 to FFr447.90, and FFr2.40 to FFr65.50 respectively.

MADRID set a new 1993 high, the general index closing 4.30, or 1.6 per cent higher at 278.48 as turnover rose from Pta20.7bn to Pta25.4bn.

In banks, Banesto extended Wednesday's climb on its funding successes, rising Pta325 to Pta3,000 for a two-day gain of 12.9 per cent; this time it was followed by Argentaria, Pta200 higher at Pta5,950.

STOCKHOLM rallied after the central bank lowered its key interest rate by 25 basis points to 8.0 per cent. The Affärsvärlden index rose 26.8, or 2.1 per cent to a year's high of 1,287.1.

COPENHAGEN climbed in lively trading with exporters benefiting from the lower krone and the KFX index rose 1.49 to 96.18. Novo Nordisk slipped DKr2 to DKr545 as foreign investors took profits.

OSLO soared 3 per cent in record volume as hopes built up for lower interest rates. The all-share index jumped 18.96 to 590.59 turnover of NKr1.14bn.

BRUSSELS turned its attention to industrial stocks, and the market closed sharply higher but off morning record levels after some profits were taken. The Bel-20 index rose 15.85 or 1.2 per cent to 1,368.78 in turnover of BFr1.9bn.

FT-SE Actuaries Share Indices

August 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
								THE EUROPEAN SERIES
FT-SE Eurotrack 100	1280.44	1280.22	1280.44	1279.42	1278.91	1281.51	1282.58	1280.84
FT-SE Eurotrack 200	1363.13	1360.64	1359.91	1359.41	1357.28	1359.62	1361.42	1359.88

	Aug 11	Aug 10	Aug 9	Aug 6	Aug 5
FT-SE Eurotrack 100	1274.70	1261.80	1269.96	1272.34	1266.66
FT-SE Eurotrack 200	1354.98	1348.51	1352.97	1348.44	1340.80

Base value 1000 (26/10/90) Highday: 100 - 1283.43; 200 - 1363.18 Lowday: 100 - 1278.68 200 - 1356.61

ASIA PACIFIC

Foreign demand helps fuel Nikkei advance

Tokyo

ACTIVE buying by foreign investors boosted volume, and share prices gained marginal ground on purchases of large-capital and telecommunications-related issues, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 32.71 to 20,765.28, rising for the fourth consecutive day. It saw a day's high of 20,939.39 in early trading, but profit-taking brought it to a low of 20,708.47 in the afternoon.

Volume jumped from 379m to 500m shares, its highest since June 11. Traders noted heavy buying by US mutual funds, shifting capital from US treasury bonds. Winners led losers by 665 to 314 with 183 unchanged, the Topix index of all first section stocks rose 5.95 to 1,686.18 and, in London, the ISE/Nikkei 50 index rose 1.44 to 1,283.74.

A rise in overseas stock markets supported sentiment; conversely, the continued strength of the yen prompted some foreign investors to take profits. The dollar closed down Y0.40 at Y103.37, falling to a record low of Y103.20 in the afternoon.

Some market participants were encouraged by the large number of bids accepted for the state owned East Japan Railway share auction. The JNR Settlement received a total of 18,670 bids, 14,508 from individuals and 4,162 from corporations. Successful bidders will be selected on August 26, with the public offering priced fixed on August 30.

Nippon Steel, the most active issue, rose Y13 to Y383 on buying by overseas investors.

Exporters were hurt, and energy-related issues lifted by the higher yen. Matsushita Electric Industrial fell Y30 to Y1,370, Sony by Y60 to Y4,370 and Toyota Motor by Y40 to Y1,610; but Tokyo Electric Power rose Y70 to Y3,820 and Cosmo Oil by Y27 to Y927.

Continued hopes of a housing tax cut buoyed related stocks. Misawa Homes gained Y40 to Y1,240, Daiwa House Y20 to Y1,680 and Mitsubishi Estate Y10 to Y1,100.

In Osaka, the OSE average rose 136.66 to 22,762.22 in volume of 76.5m shares. Traders said that volume rose as investors realised profits ahead of the September book closing.

SOUTH AFRICA

GOLD shares failed to respond to a bullion price which firmed during the day, leaving the gold index with a fall of 47 to 1,763, its lowest level since late June. Industrials added 3 to 4,571 and the overall index dipped 11 to 4,031.

Roundup

PACIFIC Rim markets turned in mostly positive performances. Bangkok was closed for a public holiday.

AUSTRALIA soared to a fresh post-1987 crash high after Channel Seven's debut boosted sentiment. The All Ordinaries index closed up 12.3 at 1,873.3.

Channel Seven closed at A$2.73 after listing at a 65 cent premium to the A$2.00 issue price in volume of 16.9m.

BOMBAY was sharply higher, in spite of stepping back from the day's best levels after mid-session profit-taking. The BSE index added 109.83 at 2,490.79.

TAIWAN moved ahead after a wave of late buying, with the mood remaining positive ahead of the ruling Nationalist Party's congress next week.

The weighted index wavered narrowly all session before ending 25.71 points up at 4,140.75. Turnover was a moderate T$17bn after Wednesday's T$25.63bn.

NEW ZEALAND closed firmer, following strength on overseas bourses and to a partial bounce in Telecom. The NZSE-40 capital index ended 5.41 higher at 1,888.82, but off its intraday high of 1,899.56.

Telecom firmed 6 cents to NZ$4.04 after a day's high of $4.06.

MANILA moved ahead as local investors turned their attention to selected blue chip issues after taking profits on the newly-listed J.G. Summit. The market index rose 4.01 to 1,761.68.

PLDT and Philippine National Bank each rose 10 pesos to 1,195 pesos and 337.50 pesos while J.G. Summit finished at 7 pesos, up from Wednesday's 6.80 pesos.

HONG KONG had a listless day with second line China-related stocks continuing to dominate dealings amid a lull among blue chips. The Hang Seng index was 18.08 lower at 7,389.55 after opening up 54 points on London and New York's record highs overnight.

Finland's hopes stay high after phenomenal gains

Christopher Brown-Humes on Helsinki's prospects

Ask Finnish analysts whether the Helsinki stock market can continue its phenomenal performance and they will probably answer in the affirmative. Far from being overbought, they will say, many shares still look cheap on international comparisons and the fundamentals are still strong enough to ensure that any setbacks are only temporary.

The Hex index closed another 40.2 higher yesterday at a new high of 1,426.0, 72 per cent up this year and comfortably more than double its 541 level on September 7 last year. Its upward momentum is being fuelled by falling interest rates – the Bank of Finland yesterday announced a half percentage point cut in base rates to 6.0 per cent – and the rapidly improving position of the country's leading exporters following the sharp depreciation of the markka in the last two years.

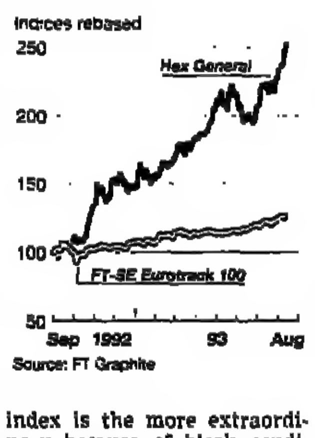
In addition, there has been heavy foreign buying following the relaxation of restrictions on foreign share ownership at the start of the year. The belief that the market has further to go stems from expectations of yet lower interest rates, hopes for a gradual recovery in the Finnish economy, and a belief that the earnings of leading Finnish exporters will improve strongly in 1994 and 1995.

Mr Kim Lindstrom, managing director of UBF Fund Management Ltd, believes that the Hex index will exceed its all-time high of 2,009, which it struck in April 1989, either next year or in 1995.

Mr Esko Haavisto, head of investment research at Kansallis-Osake-Pankki, though slightly more cautious, still expects the upward trend to hold firm. He believes that domestic investors were wrong-footed by a more than usually active summer trading session (shares rose by 10.7 per cent in July alone) and that they have returned from their holidays in a buying mood.

The continued rise in the index is the more extraordinary because of bleak conditions in the domestic economy. A recent forecast suggests that the Finnish economy will shrink 2 per cent this year, the third consecutive year of decline, and grow only slightly in 1994. But this only underlines the ambivalent nature of the Helsinki stock exchange, which is dominated by large exporting groups and has comparatively few companies, such as construction groups, which are exposed to the domestic situation.

Finland



Source: FT Graphite

Undoubtedly, some of the buying has had a speculative flavour to it, none more so than in the banking sector, which has risen by around 150 per cent this year in the face of the country's continued financial sector crisis. The downside risks are all too obvious, given that many of the country's main banks may not be back in profit until 1996.

More generally, the market remains subject to nervousness about developments in its eastern neighbour, Russia. And there are fears about squabbles on the political front at home – either because the government is unable to agree its budget in the current environment of austerity or because this autumn's wage round proves difficult. There are fears that workers will demand big pay rises because of the improving performance of the export companies, but the ability of domestically-orientated groups to increase wages is almost non-existent.

A final factor which could unsettle the market is evidence that corporate profits are not improving as much as expected, given that analysts are already valuing companies on their prospects in 1994 and 1995.

KOP Investment Research, for example, is expecting net profits of Finnish companies (excluding banks) to rebound to a FM911m surplus this year from a FM6.65bn loss last year, before moving ahead to a FM5.83bn profit next year. This could prove a tall order in the current international recession, at a time of more volatile currency movements, notwithstanding a 23 per cent rise in Finland's first half exports.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 11 1993								TUESDAY AUGUST 10 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	143.40	-0.2	144.33	94.00	128.08	139.51	+0.1	3.60	143.65	143.95	94.98	127.56	139.35	144.63	117.39	132.93
Austria (17)	165.53	-0.7	166.61	108.51	147.85	147.70	+0.0	1.31	166.70	167.05	110.22	148.03	147.71	167.13	131.16	139.64
Belgium (42)	147.48	+0.6	148.44	96.66	131.72	132.56	+0.9	4.32	146.61	146.92	96.93	130.19	131.43	156.76	131.19	139.63
Canada (108)	126.64	-0.7	127.47	83.01	113.11	119.22	-0.1	2.84	127.56	127.83	84.34	113.26	119.29	130.38	111.41	126.08
Denmark (33)	211.62	+0.2	212.99	138.72	189.01	200.75	+0.5	1.12	211.26	211.70	139.68	187.59	199.76	225.64	185.11	230.65
Finland (23)	107.29	-2.3	107.99	70.33	95.83	132.28	-1.7	0.92	109.86	110.08	72.64	97.55	134.64	109.97	65.50	69.67
France (97)	160.65	+0.9	161.70	105.30	143.48	151.96	+1.2	3.04	159.14	159.47	105.22	141.30	150.15	167.36	142.72	155.48
Germany (60)	118.21	-0.5	118.98	77.50	105.58	105.58	+0.1	2.01	118.81	119.05	78.56	105.50	105.50	119.97	101.59	116.05
Hong Kong (55)	292.21	+0.3	294.11	191.54	261.01	290.76	+0.3	3.27	291.39	292.00	192.66	258.76	289.95	301.61	218.62	244.01
Ireland (15)	165.16	-1.6	166.24	108.26	147.52	171.24	-1.1	3.25	167.86	168.21	110.99	149.06	173.15	170.40	129.28	153.64
Italy (70)	72.93	+0.8	73.41	47.80	65.14	88.05	+0.8	1.85	72.33	72.48	47.82	64.23	87.32	72.93	53.78	63.15
Japan (470)	161.07	+2.0	162.12	105.58	143.89	105.58	+1.1	0.79	157.89	158.22	104.39	140.22	104.39	161.07	100.75	87.32
Malaysia (69)	363.03	+0.2	365.39	237.96	324.24	356.74	+0.2	1.91	362.12	362.88	239.42	321.55	355.99	364.55	251.66	238.29
Mexico (19)	1626.89	-1.0	1637.49	1066.44	1453.12	5530.16	-1.0	0.83	1643.59	1647.02	1086.73	1459.48	5585.11	1725.81	1410.30	1375.78
Netherland (24)	171.96	+0.0	173.08	112.72	153.60	151.99	+0.7	3.55	171.99	172.35	113.72	152.73	150.95	172.75	150.39	161.15
New Zealand (13)	57.42	-0.9	57.79	37.64	51.28	55.47	-1.0	4.02	57.96	58.08	38.32	51.47	56.04	57.99	40.56	43.22
Norway (22)	167.13	+2.0	168.22	109.56	149.28	169.40	+2.4	1.56	163.92	164.26	108.38	145.56	165.47	167.13	137.71	153.74
Singapore (38)	269.64	+0.3	271.40	176.75	240.83	199.74	+0.1	1.72	268.82	269.38	177.75	238.71	199.63	269.64	207.04	190.69
South Africa (60)	197.97	-0.9	199.26	129.77	176.82	204.02	+0.0	2.51	199.82	200.24	132.12	177.43	203.96	215.29	144.72	196.99
Spain (43)	121.28	+1.6	122.07	79.50	108.32	130.01	+0.9	4.49	119.38	119.63	78.94	106.01	128.88	132.82	115.23	133.79
Sweden (36)	184.29	+0.5	185.49	120.81	164.61	220.10	+1.4	1.53	183.38	183.74	121.24	162.82	217.01	187.21	149.70	180.92
Switzerland (50)	128.03	+0.4	128.87	83.93	114.37	121.21	+1.0	1.79	127.57	127.83	84.35	113.29	120.05	130.81	108.91	111.20
United Kingdom (218)	180.68	+0.7	181.86	118.43	161.37	181.86	+1.1	3.84	179.48	179.84	118.65	159.34	179.84	181.99	162.00	175.96
USA (520)	184.33	+0.2	185.53	120.83	164.64	184.33	+0.2	2.78	183.87	184.25	121.58	163.28	183.87	186.27	175.38	170.32
Europe (750)	149.45	+0.5	150.42	97.96	133.49	145.72	+0.9	3.07	148.75	149.06	98.35	132.09	144.44	150.60	133.92	143.36
Nordic (114)	172.33	+0.2	173.45	112.96	153.92	181.65	+0.9	1.37	172.03	172.39	113.75	152.76	180.07	174.96	142.13	167.99
Pacific Basin (714)	164.32	+1.8	165.39	107.72	146.77	112.38	+1.0	1.04	161.42	161.76	106.73	143.34	111.24	164.32	105.89	94.15
Euro-Pacific (1464)	158.09	+1.3	159.12	103.62	141.20	126.15	+1.0	1.83	156.10	156.43	103.21	138.61	124.93	158.09	117.26	114.05
North America (628)	180.74	+0.2	181.51	118.49	161.46	179.89	+0.2	2.78	180.36	180.74	119.27	160.18	179.47	182.38	171.51	167.55
Europe Ex. UK (532)	129.90	+0.3	130.75	85.17	116.05	124.70	+0.7	2.55	129.48	129.75	85.63	115.00	123.80	131.01	112.51	123.38
Pacific Ex. Japan (244)	196.92	+0.1	198.20	129.10	175.90	181.24	+0.1	3.06	196.75	197.16	130.11	174.73	180.97	196.92	152.70	161.55
World Ex. US (1651)	158.32	+1.2	159.35	103.79	141.42	128.14	+0.9	1.86	156.50	156.82	103.48	138.97	126.99	158.32	118.51	116.15
World Ex. UK (1953)	164.55	+0.8	165.62	107.87	146.99	142.02	+0.6	2.03	163.18	163.52	107.90	144.92	141.15	164.55	134.22	129.50
World Ex. So. Af. (2111)	165.89	+0.8	166.97	108.75	148.18	145.13	+0.7	2.19	164.50	164.85	108.78	146.09	144.16	165.89	137.29	133.13
World Ex. Japan (1701)	170.73	+0.3	171.84	111.93	152.52	167.83	+0.4	2.87	170.29	170.64	112.60	151.23	167.10	171.18	157.47	159.03
The World Index (2171)	165.99	+0.8	167.07	108.81	148.27	145.63	+0.7	2.20	164.63	164.98	108.86	146.20	144.67	165.99	137.32	133.51

Latest prices were unavailable for this edition.